Report on Textion in Mysore in The light of The Recommend-ations of The Indian Taxation Enquiry Committe-

1927

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REPORT

ON

TAXATION IN MYSORE

IN THE

LIGHT OF THE RECOMMENDATIONS OF THE INDIAN TAXATION ENQUIRY COMMITTEE

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CONTENTS.

PAGE.

INTRODUCTION. ix

I. Taxes in Mysore which have their Counterpart in British India.

(A)—LAND REVENUE.

Land as a source of revenue 1
Government revenue from land 3
Alienated lands 4
Miscellaneous 6
Assessment on land 10
Mysore land revenue in the light of the canons of taxation ... 14
Special crops 17
Building Land 18
Summary 19
Recommendations of the Indian Taxation Enquiry Committee regarding land revenue in British India 19
Application to Mysore 21
Sale of Government Lands 24

(B)—CHARGES FOR WATER.

First appearance of water-rates in Mysore 25
Principles of levy of contribution 27
Water-rate and assessment 28
Proportion of water charge to land assessment 29
Recommendations of the Indian Taxation Enquiry Committee 30
Application to Mysore 30

(C)—EXCISE.

Articles on which duties are levied 33
Administrative provisions regarding the chief articles ... 33
Conclusion regarding the revenue from Excise 41
Movements in consumption of the intoxicants 43

PAGE.

Recommendations of the Committee and their application to Mysore 49
Prohibition 50
Illicit manufacture 50

(*D*)—INCOME TAX.

Outline of provisions 52
Changes in assessment and volume of income ... 54–59
Recommendations of the Indian Taxation Enquiry Committee 59
Reforms in the Mysore Income-tax 62
Changes in the rates 63
Super-tax on Companies 63
Administration 64
Agricultural income and income-tax 64

(*E*)—STAMPS 66

(*F*)—COURT FEES 72

(*G*)—REGISTRATION 79

II. New or Alternative Taxes.

Classification into groups 85
Distribution of the burden of taxation 86
Incidence of the principal taxes 88
Incidence of taxation among typical classes 89
Imperial Taxation 91
Summary regarding the distribution of Taxation 92
Distribution of taxation by Districts 93
Taxes whose levy is not recommended 98
Taxes that may be imposed by Municipalities and other Local Bodies 100
Taxes recommended for levy by the Government 101
(*a*) A ground-rent on building land 102
(*b*) Tax on motor cars 105
(*c*) Succession duties 108
(*d*) Tax on tobacco 112

III. Local Finance.

Introductory 117
Problem to be examined 119
Local Bodies and their functions 119

	PAGE.
Municipalities	120
Expenditure of Municipalities	121
Municipal Revenues	126
Recommendations of the Indian Taxation Enquiry Committee regarding Municipal Revenue	130
District Boards	134
Village Panchayets	130
Their functions	140
Their resources	141
Estimate of expenditure	142
State Aid to local bodies	143
Distinction between beneficial and onerous services ..	143
Methods of transferring funds to local bodies	144
Grants-in-aid	145
Grounds in support of grants-in-aid	145
Rules of grant	146
Grants-in-aid in Mysore	147
Drinking wells in villages	151
Transfer of revenue to village Panchayats	152
CONCLUSION.	155

APPENDICES.

APPENDIX A.

Tables (*Vide* details in list of tables) 161-195

APPENDIX B.

Duties of Municipal Councils Section 54 of the Municipal Regulation No. VII of 1906 196-198

APPENDIX C.

Duties of District Boards (Section 45 of the Mysore District Board Regulation of 1926) 199-200

APPENDIX D.

Duties of Village Panchayats (Sections 20–25 of the Mysore Village Panchayat Regulation of 1926) 201-202

APPENDIX E.

PAGE.

Functions of Panchayets under the Madras Village Panchayet Act of 1920, Section 15 to 21 203-204

APPENDIX F.

Fines leviable when unalienated land originally appropriated for purposes of agriculture is otherwise appropriated.

Rules under the Land Revenue Code 205-206

LIST OF TABLES.

(FOUND IN THE BODY OF THE REPORT.)

		PAGE.
1.	Land revenue for the last 24 years	2
2.	Several heads of land revenue raised by Government ...	3
3.	Inam Settlement of 1901	5
4.	Analysis of Inam, Hodi, Kayamgutta villages in the State as per settlement in 1901	5
5.	Do as shown in the Inam Commission Report of 1919-20	6
6.	Details of Land Revenue Miscellaneous (Budget) ...	7
7.	Collections of Land Revenue Miscellaneous items ..	8
8.	Scale of fees for removing stone, earth, etc. (Rule 18 L R.R.)	10
9.	Variations in Land Revenue and direct demand on Land Revenue	15
10.	Progress under Land Revenue compared with those under net area cropped and price-level	17
11.	Assessment on lands—agricultural and special crops ...	18
12.	Scale of license and surcharge fees for foreign liquors ...	34
13.	Surcharge on ganja on a progressive scale ...	36
14.	Excise revenue	37
15.	Details of excise revenue under several excisable articles.	38
16.	Details of excise revenue under each source ...	39—40
17.	Excise revenue, consumption and rates of duty with index numbers	42
18.	Consumption and revenue on all excisable articles ...	44—47
	(*a*) Country spirits	
	(*b*) Toddy	
	(*c*) Foreign liquors	
	(*d*) Ganja and majum	
	(*e*) Opium	
19.	Number of shops, area per shop and population per shop in respect of excisable articles	48—49
	(*a*) Country spirits	
	(*b*) Toddy	
	(*c*) Ganja and Majum	
	(*d*) Opium	

		PAGE.
20.	Offences in respect of illicit distillation	51
21.	Income-tax (Number of persons assessed, amount assessed and tax collected)	55—56
22.	Income of companies that pay income-tax and super-tax.	57
23.	Do (by districts)	58
24.	Revenue from non-judicial stamps	67
25.	Revenue from court-fees	74
26.	Revenue from Registration and expenditure ..	80
27.	Incidence of Taxation (Provincial revenues arranged by districts)	94
28.	Do (Receipts of local bodies and Municipalities)	95
29.	Do (Tax revenue of local bodies and Municipalities)	96
30.	Do (Per Capital figures)	97
31.	Municipal expenditure for 1924-25	121
32.	Municipal expenditure for 1916-17 ..	122
33.	Expenditure of Municipalities in British India ..	123
34.	Comparative statement showing expenditure on administration and collection in the years 1916-17 and 1924-25	124
35.	Rates of profession tax in Madras	131
36.	Receipts of District Boards in 1924-25	136
37.	Expenditure of District Boards in 1924-25 ...	137
38.	Grants for Public Improvement—Expenditure under the Budget Head—Local Self—Government ..	148
39.	Government grants to City municipalities ...	149.

(FOUND IN APPENDIX A.)

40.	Rates of duty on excisable articles during the year 1904-05, 1914-15 and 1924-25	161
41.	Rates of excise duty in force	162
42.	Table prepared on the lines of the one found on page 156—Vol. II. Appendicies of the Indian Taxation Enquiry Committee Report, (applicable to Mysore).	162
43.	Expenditure of the Bangalore City Municipality for 1924-25	163
44.	Mysore „ „ ...	164
45.	Expenditure of Kolar Gold Fields Sanitary Board—Special area for 1924-25	164
46.	Expenditure of certain select Municipalities in 1924-25.	165
47.	Receipts of town and Minor Municipal Councils for 1916-17	166
48.	Do for 1924-25 ..	167

		PAGE.
49.	Receipts of Bangalore City Municipality for 1924-25 ...	168
50.	Do Mysore do ...	169
51.	Do Kolar Gold Fields Sanitary Board Do ...	170
52.	Revenue of certain select Municipalities ..	171
53.	Total revenue of Municipalities (town and minor) and total population classified under certain groups ...	172
54.	Receipts of District Boards in 1916-17	173
55.	Expenditure of District Boards in 1916-17 ...	174
56.	Statement of Revenue and Expenditure (classified) of the State	175
57.	Revenue and Expenditure of the State (ordinary) ..	176
58.	Civil Budget estimates of British Indian Provinces 1926-27	177
59.	Revenue and expenditure of (a) Mysore, (b) Travancore and (c) Central Provinces for 1924-25	...178—180
60.	Sir Albion Rajkumar Banerji's Fore-cast and revised estimates for 1925-26, (Normal Revenue and Service Expenditure)	181
61.	Sir Albion Rajkumar Banerji's Fore-cast—Revenue (Other than normal)	182
62.	Sir Albion Rajkumar Banerji's Fore-cast—Expenditure (Other than Service)	183
63.	Revenue of the Mysore State as shown in the Budget from 1903-04 to 1926-27 ...	...184—186
64.	Revenue of the Mysore State under classified heads from 1903-04 to 1926-27 ...	...187—189
65.	Revenue Expenditure of the Mysore State from 1903-04 to 1926-27	..190—191
66.	Statement of assets and liabilities of the Mysore State (Comparative)	..192—195

REPORT ON TAXATION IN MYSORE.

INTRODUCTION.

The following report has been prepared in conformity with Government Order No. Fl. 5837-917—G. F. 141-26-1, dated 24-25 January, 1927, in which the Government laid down the lines of enquiry:

"(*a*) Preparation of a complete statement of facts relating to each tax or group of taxes levied by Government and Local Bodies;

(*b*) Summary of recommendations of the Indian Taxation Enquiry Committee in respect of corresponding taxes in British India for altering the policy now governing them or for improving their yield or the machinery of their imposition, assessment and collection;

(*c*) Examination as to how far the recommendations of the Committee are applicable to the conditions in Mysore and which of them may be adopted with advantage and with what modifications, if any;

(*d*) Investigation into the suitability of the new or alternative taxes suggested by the Committee and the desirability or otherwise of levying them, and

(*e*) Examination of the margin of unutilised powers of taxation of Local Bodies and of the question of the assignment or transfer to them of any items of revenue which are now credited to Government, but which may, with propriety, be placed at the disposal of the said Bodies for a proper development of Local Self-Government."

A preliminary report was submitted by the end of March, and the Government extended the period of the Special Officer's deputation to 18th May, on which date a final report was submitted. Permission was obtained to revise and amplify the report before publication; but it was found that amplification was impossible without re-casting the report, and all that has been done is to revise the report with a view to ensure the accuracy of statements and statistics, and the report, as now printed, remains substantially the same as was submitted to the Government on 18th May. The arrangement of the report is as follows:—

The first part of the report deals with taxes in Mysore which have their counter-part in British India. As complete a statement of facts relating to each tax or group of taxes as could be made in the time is followed by a summary of recommendations of the Indian Taxation Enquiry Committee in respect of such taxes or group of taxes, and an attempt is made to examine the suitability of these recommendations for adoption in Mysore. The second part of the report deals with the new or alternative taxes suggested by the Committee, and the desirability or the reverse of levying them in the State. The third part deals with Local Finance and examines related questions. Finally, a summary attempt is made to view the tax system in the State as a whole and its position in general perspective.

The writer of the report desires to express his obligations to Sir Charles Todhunter for freely placing at his disposal, his extensive and deep knowledge of financial theory and practice. Mr. B. R. Subba Rao, M.A., who was deputed to assist in the preparation of the report, has rendered very valuable help in all the stages of the work, and the laborious task of checking the statistical tables for the press has fallen entirely on him.

TAXES IN MYSORE WHICH HAVE THEIR COUNTERPART IN BRITISH INDIA.

(*A*)—LAND REVENUE.

One of the oldest and most widely employed forms of compulsory contribution for the service of the public powers is that levied on land. There was a stage when the sovereign was the largest landowner and was expected "to live of his own" without resort to taxation. Relics of the old state of things are to be seen in the State ownership and management of forests and in the survival in many states of the system of state domain in land. Everywhere, however, the greater part of cultivable land is in the hands of the subjects, though there is frequently either an implicit or explicit assertion of the ultimate state ownership of all lands in the country. Hence the origin of the vexed controversy whether land revenue in India is a tax or a rent, which has been examined at considerable length by the Indian Taxation Enquiry Committee. It is sufficient for the present purpose to note their conclusion that "whether or not the land revenue should be regarded as a tax on the individual who pays it, since it forms a deduction from the national dividend, it should be taken into consideration in dealing with the question of the incidence of taxation on the country as a whole."

Land as a source of Revenue.—Land in Mysore, as elsewhere in India, provides both the central government as well as local bodies with large sums of revenue. Apart from forests, which lie outside the scope of the present enquiry, land in the State supplies the Government and the local bodies with an income in the following ways:—

(1) Sale of Government lands.
(2) Assessment on Government lands held on raiyat-wari tenure.

(3) Quit-rent and jodi from alienated lands, Gutta from Kayamgutta lands.
(4) Income from the sale of grazing rights, right to remove stone, tree produce, etc.
(5) Fine or penalty for appropriating on agricultnral land to non-agricultural use.
(6) The several cesses on land levied by the Government for the use of local bodies.

Part of the mohatarfa tax on houses as well as of the rates on houses and shops may be considered as raised from land.

The following table shows the realisations for the past 24 years under the main heads:

TABLE I.

Land Revenue.

[In Lakhs of Rupees.

Years	Land Revenue including Miscellaneous and quit-rent (vide Budget)	Local Cess and other cesses excluding that on Abkari and Forests	Mohatarfa* and local rates—rates on houses, etc., by Municipalities	Total
1903–04 ...	98·00	...	..	
1904–05 ...	96·64	...	..	
1905–06 ..	91·02	..	..	
1906–07 ..	1,00·31	...	...	
1907–08 ...	1,03·80	...	...	
1908–09 ..	89·16	...	...	
1909–10 ...	1,03·28	...	...	
1910–11 ..	1,05·09	...	..	
1911–12 ..	1,04·82	...	...	
1912–13 ..	1,03·28	...	..	
1913–14 ...	1,03·76	...	...	
1914–15 ..	1,00·25	...	...	
1915–16 ..	1,04·76	...	...	
1916–17 ...	1,08·83	...	...	
1917–18 ...	1,07·35	...	...	
1918–19 ...	99·51	..	...	
1919–20 ..	1,16·78	...	...	
1920–21 ..	1,08·30	...	..	
1921–22 ..	1,15·63	...	...	
1922–23 ...	1,18·42	..	...	
1923–24 ...	1,13·25	..	...	
1924–25 ...	1,20·95	...	...	
1925–26 ... (Revised)	1,23·03	...	...	
1926–27 .. (Budget)	1,25·03	...	..	

* Information not readily available.

Government Revenue from land.—The contribution of land to local finance will be examined at a later stage. The Government revenue from land is arranged in the budget under three main heads : (1) assessment of lands; (2) quit-rent, jodi and gutta, and (3) miscellaneous; and this is shown in the following table.

TABLE II.

Table showing the several heads of Land Revenue raised by Government.

[Budget Figures in Lakhs.]

Years	Assessment on lands	Quit-rent of minor inam villages including Kayamgutta	Land Revenne miscellaneous	Deduct Refunds
1903–04 ...	89·23	5·03	3·68	...
1904–05 ...	88·79	4·96	2·86	...
1905–06 ...	83·78	4·51	2·69	...
1906–07 ...	91·90	5·27	3·07	...
1907–08 ...	94·88	5·38	3·50	...
1908–09 ...	82·07	4·45	2·57	..
1909–10 ...	96·12	5·06	3·86	1·76
1910–11 ...	97·28	5·42	4·10	1·71
1911–12 ...	96·89	5·71	3·90	1·68
1912–13 ...	95·33	5·21	4·47	1·73
1913–14 ..	95·93	5·38	4·08	1·63
1914–15 ..	92·96	4·74	4·14	1·59
1915–16 ...	96·72	5·07	4·59	1·62
1916–17 ...	99·36	5·60	5·38	1·51
1917–18 ..	97·66	5·31	6·04	1·66
1918–19 ...	91·03	4·56	5·44	1·52
1919–20 ...	105·24	6·16	7·03	1·64
1920–21 ...	97·47	5·17	7·24	1·60
1921–22 ..	103·47	6·02	7·62	1·48
1922–23 ...	103·07	5·46	11·62	1·73
1923–24 ...	99·10	5·15	10·79	1·77
1924–25 ...	106·76	5·41	10·55	1·77
1925–26 ... (Revised)	108·91	5·40	10·53	1·81
1926–27 ... (Budget)	111·39	5·40	10·03	1·79

Some of the items included under the third head really belong to the first and are placed elsewhere for the sake of administrative convenience, *e.g.*, temporary water-rate, amount left out in last year's Jamabandy; excess collection; while others are of the nature of fees and are more appropriately included elsewhere. Before the revenue from assessment of lands, which is the principal source of revenue, is examined in detail, it will be convenient to explain the nature of these secondary sources and the basis on which revenue is obtained from them.

Alienated Lands.—The second group consists of income from what may be called alienated lands and lands with a fixed assessment. The former is called Inam and jodi, and the latter Kayamgutta. Frequently they are all lumped together, though the last should be differentiated from the others in that it is of the nature of a contract, while the others arise from a gift or a grant. The term Kayamgutta "describes a permanent village settlement; and it probably owes its origin to a time when many villages were depopulated and when the Government found it advantageous to rent out such on a fixed but very moderate lease, the renter undertaking to restore them to their former prosperous condition. These tenures were also largely added to, during the former Maharaja's direct administration of the country, when in several cases flourishing villages were given to favourites at court." (Mysore Gazetteer, 1897, Volume I, page 690.) It was not possible to obtain any information regarding the extent of Kayamgutta lands and the amount of revenue obtained from them. All that could be ascertained was that the largest part of such lands was to be found in the Kolar and Bangalore Districts as can be seen from the following tables.

The term, "Inam" is held to apply to all lands, whether entire villages or shares in villages, or individual fields situated in Government villages which are entirely free of land assessment, or are subject to a favourable quit-rent, or a lighter assessment than the proper revenue. A report on the settlement of Inam lands (1901) gives the following statement which indicates both the origin of these favoured holdings and the loss of revenue to the State on their account.

TABLE III.

Inam Settlement.

Class	Result of the settlement of land inams of all kinds			Result of the settlement of cash alienations	
	No. of cases	Extent in acres	Assessment	No. of cases confirmed	Amount
			Rs.		Rs.
I. Devadaya ...	19,702	184,024	2,54,813	1,544	2,09,090
II. Dharmadaya ...	431	240,079	1,84,463	76	47,656
III. Inams for personal benefit.	30,475	337,943	7,91,696	313	7,010
IV. Kodagi and Bavadi Daswandam.	1,719	8,124	27,733	...	...
V. Inams for miscellaneous police and Revenue service.	2,317	9,197	27,034	...	...
VI. Inams to artisans.	4,291	23,618	17,404	...	...
VII. Village service to Government.	557	1,939	3,402	...	...

The geographical distribution of entire villages falling under this head is as follows :—

TABLE IV.

REPORT OF 1901.

Districts	Sarvamanya	Jodi	Mahaljodi	Kayamgutta	Total
Bangalore ...	45	343	...	240	628
Kolar ...	54	383	11	142	590
Tumkur ...	35	124	...	38	197
Mysore ...	223	73	...	38	334
Hassan ...	41	115	...	15	171
Shimoga ...	9	58	...	1	68
Kadur ...	4	19	...	...	23
Chitaldrug ...	11	19	1	7	38
Total ..	422	1,134	12	481	2,049

TABLE V.

Report of the Inam Commission 1919-20.

District	Sarva-manya	Jodi	Mahal jodi	Kayam-gutta	Total
Bangalore ...	47	355	...	229	631
Kolar ...	53	403	...	140	596
Tumkur ...	35	136	...	27	198
Mysore ...	226	83	...	35	344
Hassan ...	40	128	...	12	180
Shimoga ...	13	62	...	1	76
Kadur ...	15	19	...	...	34
Chitaldroog ...	11	22	...	6	39
Total ...	440	1,208	...	450	2,098

The assessment as estimated in 1901 was 11 lakhs and odd as against which the quit-rent received was 5 lakhs and odd. To estimate the net loss of revenue to Government at the present time, we must make allowance for a rise in assessment of the same degree as the yield from the revised settlement after allowing for increase in cultivated area and from the sum so obtained deduct the present revenue from quit-rent and jodi. The formula is—

$$11 \text{ lakhs} \times \frac{\text{Present land revenue (107 lakhs)}}{\text{that in 1901 (69 lakhs)}} \times \frac{\text{(Old area (61 lakhs)}}{\text{present area (63 lakhs)}} \times 5 \text{ lakhs and odd}$$

which gives the figure of 13 lakhs.

It will be noticed from the tables that the large part of these inams were granted for personal benefit. It would be interesting if information could be obtained as to the extent of alienation of such lands from the original grantees or their descendants.

Miscellaneous.—The miscellaneous items of revenue other than those that, as pointed out above, should correctly be included under assessment, are :—

(1) Sale of Government lands.
(2) Income from the sale of grazing rights.
(3) Amarayi
(4) Other items, such as fish contract, rent on salt pans, tax on lime kilns, royalty on bricks, stones etc., ground-rent, sale proceeds of dead trees.

The yield from these sources is given in the following tables and the nature of each, and the rules under which the revenue is raised, may be briefly described.

TABLE VI.

DETAILS OF LAND REVENUE—MISCELLANEOUS.

(Gross Demand shown in Appendix A in the Budget Estimates.)

Particulars	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25	1925-26	1926-27
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Rent on toddy trees	2,256	3,574	20,917	3,195	7,853	7,853	Not shown	under this	head.
Fees for Revenue Survey records ...	325	207	107	877	669	710		Do	
Miscellaneous.—									
Sale proceeds of Government lands etc.	1,58,878	2,55,331	2,60,141	2,83,812	2,72,373	2,99,398	4,03,946	2,84,343	2,57,887
Amarayi	79,980	1,02,553	1,05,210	63,969	1,26,486	99,112	1,12,443	1,67,141	1,52,975
Amount left out in last Jamabandy ...	8,636	19,375	18,633	23,606	16,519	33,622	33,595	18,413	21,619
Collections on account of unclaimed Inams.	641	681	444	3,194	718	694	Not shown	under this	head.
Fines on account of unauthorised cultivation.	15,978	20,620	34,165	46,478	33,332	39,373	...	Do	
Tax on lime-stone kilns	4,055	4,235	4,247	4,961	4,988	5,995	...	Do	
Sale of kurunga	142	621	185	559	150	253	...	Do	
Assessment from tankbed cultivation...	6,002	4,085	19,737	10,139	11,815	14,515	*55,024	*61,960	*53,997
Pasture lands	74,525	68,861	73,755	73,377	71,654	78,598	73,688	76,520	76,986
Fish contract	2,813	1,872	5,102	2,868	2,421	2,567	Details not	given here.	
Notice fees	33,145	40,852	34,041	41,031	3,717	40,650	(a) 51,963	(a) 40,232	(a) 44,240
Temporary water rate	Not	shown in	these years.	...	..	...	15,476	15,918	13,796
Excess collections			Do	...	...	...	3,881	8,720	4,155
Fines on Takrartakhthas including assessment on unauthorised cultivation.			Do	...	...	...	36,320	37,448	33,605
Other items	2,44,007	2,74,347	2,74,811	3,17,879	4,73,464	3,43,499	(b) 3,48,227	(b) 3,22,041	(b) 3,07,171
Total Gross Demand ...	6,31,383	7,97,220	8,51,525	8,75,885	10,26,159	9,66,839	11,34,563	10,27,036	9,66,431

N.B.—Figures for 1918-19 to 1922-23 represent actuals as shown in the Budget.
Do 1922-23 Revised estimates Do
Do 1923-24 Budget Estimates Do
Temporary assessment on lands (including tank-beds)—figures from 1924—25 onwards.
(a) Heading from 1924-25 is given as.—Notice fees, Isthihar fees, Jafti fees etc.
(b) Heading from 1924-25 is given as.—Other items (including fish contract, rent on salt pans, tax on lime-kilns, royalty of bricks, stones etc., kumari kandayam, *ground rent and sale proceeds of dead trees.*)
Appendix A not given in the Budget estimates for the years 1924-25 and 1925-26.
Figures for 1924-25 represent actuals shown in the Budget for 1926-27.
Do 1925-26 Revised estimaes Do
Do 1926-27 Budget estimates Do

TABLE VII.

COLLECTIONS.

Land Revenue Miscellaneous items of Receipt.

(*Figures furnished by the Revenue Commissioner.*)

Particulars	1920-21	1921-22	1922-23	1923-24	1924-25
MISCELLANEOUS	Rs.	Rs.	Rs.	Rs.	Rs.
(i) Sale proceeds of Government lands including sale of right of occupancy.	2,60,141	2,83,812	5,85,976	4,66,231	4,01,992
(ii) Amarayi ...	1,05,210	63,369	1,43,836	1,36,403	1,21,147
3. Amount left out in last years' Jamabandy.	16,633	23,606	21,414	26,847	36,429
4. Collection on account of unclaimed Inams.	444	3,494	642	1,332	1,515
5. Fines for unauthorised cultivation.	34,165	46,478	37,988	43,516	36,955
6. Tax on lime stone kilns ...	4,247	4,964	4,782	4,157	4,170
7. Sale of Kurunga stones ...	185	559	1,198	654	418
8. Assessment derived from tank-bed cultivation.	19,737	10,139	5,485	10,699	12,447
9. Pasture lands ...	78,755	73,877	72,413	68,820	78,379
10. Fish Contract ...	5,102	2,868	2,449	4,694	1,457
11. Notice Fees ...	34,041	41,031	41,912	39,893	47,660
12. Other items ...	2,74,841	3,17,879	3,03,268	4,18,842	3,91,279
Sale of Building sites in villages.	22,027	37,371	45,858	22,623	28,414
Acreage contributions ...	1,00,306	17,572	51,601	31,945	30,637
Salt receipts ...	3,102	3,631	3,755	3,711	5,880
Miscellaneous fees, fines and forfeitures.	10,680	32,266	9,340	3,127	4,569

(1) *Sale of Government Lands.*—A great deal of cultivable land is yet in the hands of the Government, and portions of it are sold from time to time. It will be noticed that the large increase in recent years in the receipts from "Miscellaneous" items was due in considerable measure to increased income under this subhead.

(2) *Sale of Grazing Rights.*—The grazing of all unoccupied land vesting in Government is sold by public auction year by year either field or in tracts. In the case of pasturage within the limits of villages, instead of an auction, the average realisations of each village for two or

three previous years are to be calculated and the grazing rights offered to its inhabitants for the amount so arrived at for the current year. If they agree, the amount should be apportioned among them and the sum due from each recovered from him as a revenue demand.

It is expressly laid down in the Land Revenue Rules that grass growing on the rear slopes of bunds of tanks should not be allowed to be grazed by cattle but only cut and removed. A payment for such grass is not to be exacted in the case of tanks and minor river channels the earthwork of which has been and is being annually done by the raiyats.

(3) *Amarayi.*—The term is defined as " minor tree produce of a village belonging to Government." The trees included are Hunse, Mavu, Seege, cocoanut, hippe, nerla, halasu, jali, honge (seeds and leaves), byala. The produce of such trees found in the assessed waste, gomal, kharab lands, gavtana and other lands set apart for communal purposes is sold annually by auction and the proceeds credited to Government. This item also shows a large increase since 1922-23.

(4) *Other items.—Removal of earth and stones.*—Annual sales are made of the right to remove earth, fuller's earth, stone, kankar, sand, muram, or any other material which is the property of the Government. The sale may be by public auction or in return for a fixed amount which may be either a lump sum or so much per cubic foot of excavation. The rates obtaining at present are given in the following table. (*vide* next page).

Fish contract.—No details are available.

Rent on salt pans.—Licenses are granted for the manufacture of salt from pans (not within five miles of British territory and only for consumption within the State) in return for a fee of not less than three rupees per pan per annum over and above the land assessment that the land in which the pans lie may be liable to.

Tax on lime-kilns.—Each lime kiln is liable to pay, when lime stones are burnt, a tax varying from 2 to 10 rupees according to the locality and trade, in addition to the royalty for removal of lime stones.

Ground rent.—This refers to the tax on vacant sites in villages (The above three items are part of mohatarfa).

Proceeds of dead trees.—This item requires no detailed explanation. It is understood that in some provinces of British India, it is added to Forest Revenue.

TABLE VIII.

Material	Royalty to be paid per 100 cubic feet	Method of measurement
	Rs. a. p.	
Stones-building.	0 8 0	Actual quantity of stone in a building as per actual measurement.
Surplus ...	0 8 0	Actual quantity of surplus building stone on hand and removal from the quarry, 125 cubic feet to be taken as equal to 100 cubic feet on which royalty is to be charged.
Ballast ...	0 2 0	Actual measurement of ballast as delivered alongside the line or at a depot.
Concrete ...	0 2 0	Actual measurement of concrete.
Used for any special purpose as pitching.	0 2 0	Method of measurement to be arranged between the Railway and Civil Officers at the time of commencing work.
Kankar taken from cultivated land.	0 4 0	Actual measurement of amount delivered to Railway.
Sand ...	0 1 0	Actual measurement of amount delivered.
Material ...	Royalty	Method of measurement.
*(b) Fuller's earth	0 4 0	Per cart load.

*G. O. No. 1008-67—L. R. 325-18-13, *dated* 20 *July* 1920.

ASSESSMENT ON LAND.

We now come to the assessment on land. It derives its authority from the Mysore Land Revenue Code (IV of 1888), which is based in the main on the Bombay Code and practice. The provisions of the Code are general. They enunciate the liability of all land, whether applied to agricultural or other purposes, to the payment of land revenue to Government (subject to exemptions) and authorise a revenue survey, initial or repetitive, for the purpose of settlement of land revenue. The procedure to be followed in making the survey is laid down in great detail in the subsidiary rules, and the rates ultimately determined are in the discretion of the Government.

The Joint Select Committee on the Government of India Bill observed with reference to the position of land revenue in British India; "In some provinces at least the pitch of assessment is entirely at the discretion of the Executive Government. No branch of the administration is regulated with greater elaboration or care; but the people who are most affected have no voice in the shaping of the system, and the rules are often obscure and imperfectly understood by those who pay the revenue. The Committee are of opinion that the time has come to embody in the law the main principles by which the revenue is determined, the method of valuation, the pitch of assessment, the periods of revision, the graduation of enhancement, and the other chief processes which touch the well-being of the revenue payers." The Mysore Code is based on that of Bombay, and may be said to be in many respects in advance of most provinces in British India and to deserve the above description only so far as the Bombay system does.

Section 48 of the Land Revenue Code lays down that the statutory land revenue is chargeable upon

(*a*) Land appropriated for purposes of agriculture
(*b*) Land from which any other profit or advantage than that ordinarily acquired by agriculture is derived, *e.g.*; cultivation of coffee, tea, etc.
(*c*) Land appropriated for building purposes.

The first of these groups is obviously most important and has formed the subject of the activities of the Survey Department, in which is vested the task of determining the rate of levy. Thus the Mysore Survey Department performs the functions of both the Survey and Settlement Departments in British India. The first of the revenue settlements was begin in 1865 and completed in 1895, and almost immediately a re-settlement was ordered, which was completed a few years ago. The following descriptive details are true of both a survey and a re-survey, except that a re-survey does not attempt a fresh classification of soil, while its task regarding the rates is facilitated by the existence of rates already settled, which have only to be raised or lowered in the light of ascertained economic facts. There is thus no need to enter into any examination of the basis on which the revenue is to be levied.

It is not necessary for the present purpose to describe in detail the successive activities of the Survey Department, but some brief outline is needed to show the basis

on which the assessment is made or altered. The initial survey started with "a detailed inspection of every number and sub-division thereof" and involved "an examination of every field and of the boundary marks, and a verification of the entries as to tenure, holder's name etc., made by the Survey subordinates in the priliminary survey records." In the case of a revision settlement, this part of the operations is limited to "re-measurement whenever roads, canals, railways or extension of village sites, not already dealt with or measured according to rules, encroachment of rivers or streams or natural or other causes rendered such a measure necessary."

Similarly, when survey was first introduced, one of the essential preliminaries was classification of land according to the character of the soil, as well as a classification of water-supply to wet and garden lands. In the subsequent revision survey, the original soil classification was retained, and the Department was instructed to revise the water classification of all the rice and garden lands, which had become necessary "in the interests of Government as well as the raiyats, because the changes in water-supply from the silting up and deterioration of some tanks and the repairs of others during a period of more than 30 years, were so great as to render the original water classification a most unsuitable basis for re-assessment."

This is followed by grouping of a taluk or tract into different groups or circles on the basis of (1) climate (rainfall), 2) situation with respect to markets, and (3) the state of husbandry.

The object of grouping, in the words of the Revenue Survey Manual is "to ensure a fair and even distribution of the assessment it is proposed to impose on the taluk as a whole, over the villages comprised in it. It may be generally remarked that what classification is to the fields comprised in a village. grouping is to the villages comprised in a taluk. As the classification ascertains the relative values of the lands within a village, according to depth, texture and colour of the soil, so the grouping ascertains the relative values of the villages, on consideration of climate, markets and husbandry."

The Land Revenue Code (Section 115) lays down that the revised assessment shall be fixed "with reference to general considerations of the value of land, whether as to soil or situation, prices of produce or facilities of communication." These considerations ultimately involve

reference to prices. As Col. Grant has remarked in his report on the revision of settlement operations in the Davangere Taluk, " the prices of produce up to which all the other considerations set forth in Section 115 of the Land Revenue Code really lead, represent the only consideration upon which revised assessment can be fixed. Section 115 lays down that the revised assessment should be fixed with reference to general considerations of the value of land as to soil, situation, prices of produce or facilities of production. Of these considerations that of soil is, or should be in practice omitted. Situation and facilities of communication are the basis of the prices of produce and might have been omitted but for the fact that they influence prices locally, as distinct from a general rise in prices." Accordingly the settlement officer, while taking into consideration all relevant facts about improvements in means of communication, changes in standards of life as well as in the methods of cultivation, has to examine carefully the trend of prices and the causes of a movement in them, and estimate the enduring character of the changes. As a result, a decision is arrived at regarding maximum rate for each group. The rates are adjusted to each village and to each holding according to local differences. The Government have laid down the limits beyond which the assessment cannot be raised, even if the circumstances above mentioned should warrant a larger increase. The permissible increase is as follows :—

(*a*) 33 per cent in the case of a taluk or group of villages brought under the same maximum dry crop rate.
(*b*) 66 per cent in the case of a single village.
(*c*) 100 per cent in the case of an individual holding.

The proposals are submitted to the Government, and on their approval are announced to the tenants in each village. The revised rates are fixed for 30 years and come into operation as a rule in the financial year subsequent to the year in which they are announced.

The above brief resumê brings out the fact that in several respects, the Mysore land revenue system is not subject to the criticisms of the Joint Select Committee :—

(*i*) The main principles of assessment are in the Code.
(*ii*) The method of valuation is simple.
(*iii*) The period of revision is fixed.

(*iv*) Though the pitch of assessment is not fixed, and is subject to executive discretion, it is at any rate subject to limitations.

It is, therefore, a matter of opinion whether any further legislation is necessary at all on the lines suggested by the Select Committee.

Mysore Land Revenue in the Light of the Canons of Taxation.

The Indian Taxation Enquiry Committee examine at considerable length the assessment on agricultural land in the light of the familiar canons of taxation. The position in Mysore is as follows:—

(*i*) *Certainty.*—The land revenue is a demand which is fixed during the currency of a settlement, and consequently, once the settlement is made, the cultivator knows precisely what he has to pay in the shape of assessment.

(*ii*) *Convenience.*—This canon requires that the sum due to Government, should be taken from the payer at a time, in the place, and in the form most convenient to him. In Mysore land revenue is collected in four instalments, the first of which commences shortly after the harvest. Payment is made to the village officer in money. Inconvenience is said by the Committee sometimes to be caused by the fact that "the income out of which the assessment has to be paid fluctuates enormously with the vagaries of the monsoon and other causes," and "a substantial deficiency in the outturn may leave no net produce whatever, so that (in the absence of savings) the assessment can only be paid by borrowing or by stinting the necessities of life." This incident of a bad season is best considered under the canon of equity.

(*iii*) *Economy.*—This has two aspects: In the first place, the payer should not suffer a greater loss than is caused by the amount of payment. Thus any interruption to the continuity of business or loss of output involved by the processes attendant on the levy of a tax would mean loss. In the case of land assessment, such dangers are real only when the tax has to be assessed and collected on the standing crop, when delay on the part of the collector might ruin the farmer. Such a contingency may possibly arise when exceptional circumstances require the application of the precautionary measures permissible under Section 146-151, but section 149 imposes a duty on

the Deputy Commissioner to see that the reaping of the crop is not unduly deferred and the prolongation of its deposit does not damage the produce.

Another aspect of economy is that the expenditure entailed by the assessment and collection of land revenue should be kept to a minimum. As in British India, the officers of the Revenue Department are entrusted with a number of other duties, so that it is only a small proportion of the cost of revenue establishment that can be charged directly to land revenue. The budget figures in recent years show that the direct demand on land revenue has increased at a more rapid rate than the revenue itself.

TABLE IX.

Table showing variations in Land Revenue and Direct Demand on Land Revenue.

(*Index Numbers.*)

[In Lakhs of Rupees.

Years	Land Revenue including quit-rent and miscellaneous (Budget Figures—actuals)	Index Nos.	Direct Demand on Land Revenue (budget—actuals)	Index Nos.
1903–04 ...	98·00	100	17·14	100
1904–05 ...	96·64	99	17·53	102
1905–06 ...	91·02	93	17·00	99
1906–07 ...	100·31	102	18·34	107
1907–08 ...	103·80	106	18·15	106
1908–09 ...	89·16	91	18·58	108
1909–10 ...	103·28	105	18·78	110
1910–11 ...	105·09	107	19·65	115
1911–12 ...	104·82	107	19·18	112
1912–13 ...	103·28	105	18·22	106
1913–14 ...	103·76	106	19·52	114
1914–15 ..	100·25	102	18·62	109
1915–16 ...	104·76	107	19·75	115
1916–17 ...	108·83	111	20·11	117
1917–18 ...	107·35	110	20·41	119
1918–19 ...	99·51	101	21·74	127
1919–20 ...	116·78	119	24·64	144
1920–21 ...	108·30	111	28·95	169
1921–22 ...	115·63	118	28·75	168
1922–23 ...	118·42	121	27·45	160
1923–24 ...	113·25	116	26·62	155
1924–25 ...	120·95	123	28·47	166
1925–26 (Revised) ...	123·03	126	28·14	164
1926–27 (Budget) ...	125·03	128	27·39	160

The entire expenditure of the Survey Department may be considered a charge on land revenue, though even here it should be noted that "the record serves many purposes other than that of revenue."

(*iv*) *Equity.*—Here the test to be applied is whether the burden on the subject is fair, *i.e.*, we must investigate on what basis the assessment is made and whether the rate or pitch of assessment is not too high. There is no definite statement as to the basis on which the levy is made in Mysore, but since the Bombay system is our model, the remark of the Indian Taxation Enquiry Committee regarding the system of assessment in Bombay applies also to the Mysore system that "it is empirical." The Settlement Officer's final decision depends "not upon the formal working out of results based on theory, but rather upon the subjective impressions of local knowledge and experience." At the same time it has been claimed that the revision settlement in Mysore aimed at obtaining for the Government not "the full proportion in which the State would be entitled to share in the increased value of the land, but only an amount of the increase well within the strictly justifiable limit." It would have been interesting if a statement had been made as to what proportion of the increased value was taken, and in the absence of such explicit information, it is not possible to say whether the proportion of the annual value is high or low, and whether it is within measurable distance of the figure, 25 per cent, suggested by the Indian Taxation Enquiry Committee.

There is one aspect of the levy of this tax which deserves consideration at this stage though the Committee deal with it in connection with the canon of convenience. The assessment is determined by the estimated yield, and is independent of the actual yield in a given year, so that "to a poor family," as the Government of India remark in their resolution of 1902, "a short harvest must be a severe calamity. The assessment may absorb but a small share of the gross produce of its land. But its circumstances depend on the net produce, in which the assessment is in higher proportion, and it is obvious that on inferior land a substantial deficiency in the outturn may leave no net produce whatever, so that (in the absence of savings) the assessment can only be paid by borrowing or stinting the necessaries of life." The hardship of the

situation is mitigated, as the Committee point out, "by partial or complete remission of the assessment when there is a failure of the crop"; but this is an aspect of land revenue that must be taken into consideration, when the merits of modern land revenue are appraised. At any rate in earlier times payment of a part of produce saved the cultivator from these hardships, though no doubt it exposed him to others.

TABLE X.

Table showing the progress in land revenue compared with changes under net area cropped and in the price level.

Years	Net area cropped (lakhs of acres)	Net area Index No. Base year 1903-04	Land Revenue assessment (lakhs of rupees).	Revenue Index No. Base year 1903-04	Index No. of export price (p. 73 I. T. E. Report	British India		
						Index No. of Land Revenue	Index No. of net area sown	Index No. of export prices
1903-04 ...	64·57	100	89·23	100	100	100	100	100
1904-05 ..	61·37	95	88·79	100	101	97·8	100	101
1905-06 ...	59·29	92	83·78	94	113	97·8	100	113
1906-07 ...	61·96	96	91·90	103	135	104·8	103	135
1907-08 ...	61·55	95	94·88	106	141	97·4	101	141
1908-09 ...	57·63	89	82·07	92	147	104·3	105	147
1909-10 ..	60·92	94	96·12	108	129	113·5	107	129
1910-11 ...	61·88	96	97.28	109	123	102	107	123
1911-12 ...	60·47	94	96·89	109	132	108·3	103	132
1912-13 ...	68·19	98	95·33	107	141	111·5	108	141
1913-14 ...	60·56	94	95·93	108	149	112·7	105	149
1914-15 ...	62·44	97	92·96	104	155	111·2	109	155
1915-16 ...	68·68	99	96·72	108	150	116·6	107	150
1916-17 ..	65·23	101	99·86	111	156	115·9	111	156
1917-18 ...	64·59	100	97.66	109	165	113·7	110	165
1918-19 ...	59·09	92	91·03	102	193	113·9	97	193
1919-20 ...	61·98	96	105·24	118	269	118·7	107	269
1910-21 ...	59 52	92	97·47	109	273	111·5	102	273
1921-22 ...	60·55	94	103·47	116	232	125·1	107	232
1922-23 ...	61·24	95	103·07	116	238	124·4	108	238
1923-24 ...	59·09	92	99·10	111	217	120·4	107	217
1924-25 ...	62·68	97	106·76	120	222* 233*	...	...	...

* The index number for 1924-25 is for the calendar year 1925; that for 1924 is 222 (Letter No. 1796, dated 23rd April 1927, from Labour Office, Bombay.)

Attention is drawn to the above table which brings out the relation between the net cropped area, land revenue, and prices of cereals. It will be noticed that land revenue has by no means increased in proportion to the rise in prices. Of course, it should be noted that expenses of cultivation have probably also risen.

Special Crops.—We now turn to the other uses to which land may be put, one of which is encouraged by

low assessment, and the other is only permitted on payment of additional sums. The first of these is the cultivation of special crops. Special concessions are granted in the shape of low assessment or no assessment in the initial years and normal assessment in subsequent years for the encouragement of special crops like coffee, cinchona, cardamom, rubber, tea, sisal hemp. Of these, the only one whose cultivation is carried on to any appreciable extent is coffee with an acreage of 10,270 in 1924-25. The following table gives particulars regarding assessment raised on special crops.

TABLE XI.

Gross Demand—Assessment on Lands. (Appendix A. Budget Estimates.)

Particulars of land	Assessment					
	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Dry ...	48,61,253	49,12,510	48,79,010	49,43,565	50,13,683	50,39,029
Wet ...	33,92,445	34,15,486	34,15,107	34,81,359	35,46,502	35,85,514
Garden ...	13,39,386	13,61,662	13,52,120	13,56 158	13,43,224	13,68,431
Coffee ..	1,76,183	1,76,565	1,76,890	1,77,627	1,77,052	1,78,252
Cardamom	2,194	1,193	2,203	2,243	3,000	3,500
Cinchona...	41	32	32	25	25	25
Rubber ...	2,043	2,060	2,077	2,063	2,100	2,100
Total ...	97,73,545	98,70,508	98,27,439	99,63,040	1,00,85,536	1,01,76,851

N. B.—Figures for the years 1918-19 to 1922 to 23 represent 'Accounts.'
do 1922-23 do 'Revised Estimates
do 1923-24 do 'Budget Estimates.

Building land.—According to Sections 48 and 59 of the Land Revenue Code if land appropriated for agricultural purposes is sought to be used for non-agricultural purposes, permission will be given to do so only on payment of a fine in addition to any new assessment that may be imposed. It is understood, however, that if arable land is converted into a building site, no assessment is levied, when once the fine which is expressed as a multiple (25) of the annual agricultural assessment has been paid. A maximum limit of Rs. 200 an acre is fixed for such a fine, but in special areas, the fine may be fixed

at higher sums approaching Rs. 1,000 an acre. The Government itself will also sell building sites without reserving an annual ground-rent, provided certain conditions, among them, payment of a stipulated price for the site, are accepted. In this respect, the practice in Mysore differs from that in the neighbouring British Provinces, in one of which varying amounts of ground-rent are charged in municipal areas on building land and in the other of which a reasonable share of the annual value of the land used for purposes other than agriculture is taken.

The one exception to the common practice in Mysore is the levy of a Mohatarfa tax on buildings other than dwellings of agriculturists in those areas which lie outside the jurisdiction of either municipalities or Village Panchayets. The income from the entire mohatarfa which includes tax on lime-kilns, tax on vacant sites in villages, is about 3 lakhs, so that the amount obtained from ground-rent is very small.

Summary.—The general position as regards land revenue in Mysore may be briefly summarised as follows:—

(1) Land is the chief source of revenue in the State both for provincial and as will be seen later, local purposes.

(2) Gifts of land and fixed assessment have deprived the State of a considerable amount of revenue.

(3) The pitch of assessment and the operations connected with it are in the discretion of the Executive, the Code only laying down the general principles.

(4) Tested by the accepted canons of taxation, assessment on agricultural land in Mysore seems defective in respect of the canon of ability, and it appears that the cost of collection has been increasing at a greater rate than land revenue.

(5) Though it is the mainstay of the finances of the State, the revenue from this source does not seem to be elastic.

(6) A gap in the system of assessment is the absence of assessment of building sites for provincial purposes.

The Recommendations of the Indian Taxation enquiry committee regarding Land Revenue in British India.

After an elaborate survey of the systems of taxation of agricultural land in other countries and of the variety of practice in India itself with regard to the assessment of land revenue, the Committee come to the conclusion

that "the essentials to be sought for in any new scheme of temporary settlement seem to be, first, that it should be definite as regards both the basis and the pitch of assessment; second, that it should be as simple and cheap as possible; third, that it should, so far as possible, ease or steady the burden on the smallest cultivator; and fourth, that it should, in common with the rest of the system of taxation, have some element of progression in the case of the larger owners."

The following specific recommendations are intended to introduce these essentials into the system of land revenue in British India:—

(*a*) For the future, the basis of the settlement should be annual value by which term is meant the gross produce less cost of production, including the value of the labour actually expended by the farmer and his family on the holding, and the return for enterprise, and the function of the settlement officer should for the future be limited to the ascertainment of this value on a uniform basis under such conditions as might be most appropriate in each province.

(*b*) As regards the rate, there should be an expert enquiry in each province with a view to ascertaining that is the most general rate at present exacted. The local legislature would then be in a position to fix a common rate for the province. While immediately the rates fixed by the Legislatures would tend to conform to the existing pitch of assessment, it would be open to the legislatures to increase or decrease the general rate in accordance with the share they thought it fair should be contributed by the land revenue to the expenses of the State.

The Committee express the opinion that the standard rate should not be more than 25 per cent.

(*c*) It is but right that the standardisation of the land revenue should be accompanied by a moderate increase in the local rate. The maximum for the ordinary rates should be somewhere about 25 per cent of the sum taken as land revenue, and there would be no objection to the imposition over and above this of additional special and temporary rates for specific local purposes.

(*d*) Since the land revenue is a *tax in rem* levied at a flat rate, it would be impossible either to graduate it

or to give exemption to particular lands because of the circumstances of the persons who cultivate them. Further the difficulties of the poorest cultivator arise, not out of the land revenue itself, but of a combination of circumstances of which the chief feature is a large extension of uneconomic holdings. Apart from the standardisation of land revenue at a comparatively low figure, and 25 per cent of the annual value must be considered low, any real relief of the poorest cultivator must come from a better system of rural economy.

(*e*) For a similar reason, the only method of making the contribution of the large holder larger in proportion is to impose some other tax on him, such as a succession duty or to bring agricultural incomes within the law of income-tax.

In a separate Section of the Chapter, the Committee examine questions connected with revenue from non-agricultural land, and their principal recommendations are:—

(1) As in Bombay, whenever land which is assessed to land revenue on the basis of its crop value is diverted from use for cultivation, it should be liable to re-assessment on the basis of its annual value for other purpose.

(2) Grants of revenue-free house sites in villages should be made subject to the levy of ground-rent if and when the village becomes a town.

(3) The practice of sharing with municipalities the increased income from the non-agricultural use of land is to be commended, but it is undesirable that the management of the lands should be made over to them.

Application to Mysore.—It remains now to consider how far these recommendations are applicable to the system of land revenue in Mysore and what the effects will be.

The recommendations of an administrative character may be first considered. The committee follow the Joint Select Committee in holding that the rate of levy should be fixed by *statute*, and they recommend that legislation should be preceded by an *Expert Enquiry* as to the most general rate at present exacted. It is not quite certain whether there is in our State a variation between one part and another in the matter of the rate of levy, though the assessment in Kolar District seems to be somewhat higher than elsewhere, and this

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is in any case a matter for further investigation. The main recommendation, *viz.*, statutory sanction of the rate of levy, is based on the obvious principle that taxation should receive the approval of the Legislature, and should not be left to the discretion of the Executive. There is also no doubt that with the progress of the political education of the people, this would introduce an element of elasticity, since the rates can be altered whenever the people are willing to incure additional expenditure on developments which have their approval. In present circumstances, change can take place only after a long interval.

The equity of the rate to be fixed by statute will naturally depend on the basis on which it is levied. What would be a low rate if levied on the surplus or net yield may be a heavy burden if levied on the gross produce. Of course, as a matter of fact, in all settlements an attempt is made to get at what may be called the true surplus and obtain a fair proportion of it for the State. An exception is British Baluchistan, where the traditional sixth of the gross produce is levied and sometimes even more. In Madras the value of the gross produce is determined on the basis of the average of prices of 20 non-famine years immediately following the settlement, and from the sum so obtained "the cost of cultivation and a certain percentage on account of vicissitudes of seasons and unprofitable areas is deducted, and one half the remainder is the maximum taken as an assessment of the Government demand on the land." The practice is similar in other provinces, though differing in details. Everywhere an attempt is made to get at net assets. The Committee found, however, that, in spite of the seeming variety in practice, there was everywhere a tendency to base re-settlements mainly "On prices and general economic factors. In the carrying out of these resettlements, an increasing degree of importance has been given to *annual value* as ascertained by records of leases and sales and other similar factors." The Committee, therefore, recommend that annual value as defined by them should form the basis of levy. So far as Mysore is concerned, the practice in this respect closely follows that of Bombay, where resettlements approach most closely the basis and the methods recommended by the Committee, though, as in Bombay, the system of assessment is empirical and does not consciously follow any defined principle in respect of basis. The Committee

recommend that, with standardisation of land assessment at 25 per cent of the annual value, there should be increased taxation of land for purposes of local finance which may amount to as much as 25 per cent of the land revenue assessment. It is a familiar fact that real property forms the chief support of local finance all over the world, and in the State there is a local rate which is augmented in several districts by railway and education cesses. These will be considered in a later part of the report, and, at this stage, it is sufficient to state that this recommendation has the countenance of practice in the State, and that already the rates amount in several districts to nearly 25 per cent of the land revenue assessment.

Two recommendations of the Committee may be taken together *viz.*, (*d*) and (*e*). In the statement of the essentials of a new system of land revenue, the Committee point out that there is room for re-adjustment of the system of land revenue in such wise that the burden on the small lolder is rendered lighter, while the large holder should contribute a larger sum to the State. In other words, an element of progression should be introduced into the system with its corollary of an exemption limit. As they subsequently point out, this cannot be done directly as the assessment is said to be on a thing and not on persons, just as it would be impracticable to introduce an element of progression in the case of indirect taxes. At the same time, the poverty and helplessness of the small holder and the comparative prosperity of the large holder, who frequently has other sources of income, are well-known facts. The recommendations of the Committe relate to improvement in rural economy for the benefit of the former, and taxation of the latter, either, by an income-tax on agricultural incomes or a succession duty, or both. These suggestions are far reaching, and are calculated to reduce the existing inequalities of the system of land revenue. Improvement in rural economy is a matter of administration, while the two taxes recommended will be considered elsewhere in their application to Mysore. So far as the system of land revenue is concerned, the net result of the recommendations of the Committee must be taken to be that no adjustment on account of the disparities in the economic conditions of the holders can be made directly and that a remedy must be sought either in administration or in changes in other parts of the system of taxation.

Sales of Government lands.—Before passing on to other topics, attention may be drawn to an anomaly in the presentation of revenue from land. The sale proceeds of Government lands are included among the "Miscellaneous" items, and are shown as a source of revenue. It is really a capital transaction, and should be shown, as in the budgets of British Indian Provinces and Travancore outside the ordinary budget heads.

A more fundamental point is whether these lands should not, instead of being sold outright, be leased out for a long period of years. Such a system would retain for the State any increase in value, as well as save the buyer of occupying rights from the burden of a heavy initial debt, specially if a suitable scheme of State advances can be devised, as in New Zealand. There are obvious difficulties, such as the keenness for proprietory rights, but the subject deserves fuller consideration.

The recommendations of the Committee regarding taxation of non-agricultural land will be considered later in the section on new and alternative taxes.

(*B*)—CHARGES FOR WATER.

Water rates include "all the charges of various kinds that are made for water for the purposes of irrigation," (page 98 report of the Indian Taxation Enquiry Committee). The Mysore Land Revenue Code amplifies this definition by indicating the sources of supply of water. Section 53 of the Land Revenue Code authorises the levy of rates "for the use by landholders and others persons, of water the right of which vests in Government, or which has been made available in consequence of the construction, improvement or repair of any irrigation or other work by Government or by a private person acting under the written authority of Government." That is to say these rates can be levied by Government for the supply of water from irrigation works newly constructed or improved or repaired by the Government or by persons authorised to do so, as well as for the use of water which belongs to the Government though the Government itself has done nothing to provide the supply *e.g.*, water from jungle streams.

The conditions under which the need for supply of water arises in India have been described in paragraph 120 of the Report of the Indian Taxation Enquiry Committee and these conditions are also present in Mysore though the degree of variation is much smaller. Thus there are areas in which nothing can be grown without irrigation. The configuration of the country makes necessary the construction of head works and distributaries. There are parts of the country where there are no rivers and consequently reliance has to be placed on reservoirs. These conditions not only make the provision of irrigation works necessary but, along with other conditions enumerated in the same paragraph such as variations in tenures and varieties of crops grown, affect both the cost of providing the supply of water and its value to the farmer.

In the State, the proportion of irrigated area to non-irrigated area is roughly 1 to 5, and as regards the irrigated area, the water supply is obtained from channels, tanks, wells and other sources.

The State has been from very early times abundantly provided with tanks, and there is also a fairly extensive system of canals specially in the Mysore District. The problem of irrigation till about half a century ago consisted mainly in the maintenance and repair of the already constructed tanks and canals. Soon after the Rendition the Government undertook several large irrigation projects and this has also been continued in subsequent years, of which the Vani Vilas Works and the Krishnarajasagara works are the latest examples.

Therefore the problems associated with supply of water came to prominence only when the Government undertook the construction or extension of irrigation works and the earliest order that lays down the principles which should regulate the levy of charges for the supply of water from irrigation works is that of 1st October 1888, subsequent orders of some importance are dated November 1894, July 1902, and the most important *viz.*, those relating to supply of water from the Krishnarajasagara works are of more recent date *viz.*, 1913 onwards.

The charges made for the supply of water are of two kinds. In the first place there is the contribution taken from the owner, in return for the improvement in the value of the land by the supply, or assurance of supply where formerly the supply was fitful, of water for wet cultivation. In the second place there is the charge made on account of the increased or improved output from the land rendered possible by the supply of water. The several Government Orders which lay down the amount of contribution and the annual rates to be levied in the case of the land brought under irrigation do not discuss at any length the principles that should regulate the imposition of either contribution or the annual rate, though generally there is a reference to the improvement in the value of the lands or the increase in the output. The Government Order dated 1st October 1888 lays down the principle on which contribution is to be levied in future from the landholders benefited by such irrigation works. The order states "that when Government undertake a large irrigation work which adds great value to the holdings below, it has a right to participate in some moderate degree in the additional value that is imparted. It is sometimes contended that the wet assessment imposed is a sufficient return for the capital which Government spends on a new work. This is not the case..... The increase of

value is quite irrespective of the enhanced assessment but is due partly to the construction of the irrigation work, and partly to the position of the land itself." The order proceeds to lay down specific rules for the imposition of a contribution and they are as follow:—

"*First.*—When a proposal for any such work as aforesaid has been made and is under investigation or consideration, no darkhast shall be accepted for any Government unoccupied dry land likely to be converted into wet by such work. All such unoccupied dry lands should be reserved for sale by public auction after the completion of the work. Whenever an Executive Engineer has orders to investigate the project for work of this kind he should forthwith give notice of the fact to the Deputy Commissioner or Deputy Commissioners concerned.

Secondly.—No contribution in a lumpsum shall be levied in respect of such work from the holders of inam or Government occupied lands likely to be benefited by the same, but they should be called upon to execute mutchalikas binding themselves to pay to Government on the completion of the work, a specified contribution per acre of occupied dry land which may be converted into wet, without in any way affecting the liability of the land, if Government, to pay a wet rate of assessment and, if inam, the prescribed water rate.

Thirdly.—The contribution per acre as per the foregoing rule shall, according to the circumstances of the raiyats concerned, vary from a third to a fifth of the difference between the local market values of an acre of dry land and of an acre of wet land. The character and permanence of the irrigation supplied, the quality of soil, the agricultural labour available, will all be taken into account in fixing the market values as above.

Fourthly.—A report of the fact that mutchalikas under these rules have been taken should always accompany the estimate for the work submitted for the sanction of Government.

Fifthly.—In special cases in which the Deputy Commissioner may be of opinion that these rules should not be applied, or that the rate above prescribed should not be reduced or increased, or that no contribution whatever, or only a contribution in a lump sum from the entire body of land holders should be levied, a statement by the Deputy Commissioner of his opinion with reasons therefor should accompany the estimate submitted for sanction.

Sixthly. - Where holders of not less than five sixths of the occupied area execute mutchalikas under these rules and the holders of the remaining area refuse to do so, the matter should be reported in the statement accompanying the estimate for the orders of Government and the Government will then decide whether the work should be abandoned by reason of such refusal or whether the refusing land holders should be compelled to pay their due share of contribution either in one lump or by means of a temporary addition to the wet assessment for a specified number of years (say by 7 or 8 annual payments of a sixth of the contribution fixed.)"

In subsequent orders, these rules and the principle that underlies them have been reiterated, and whenever canal irrigation has been extended, as has happened in a large measure under the Krishnarajasagara works, a contribution has been levied which has represented a part of the increased value of the land. The specific amount fixed has however been empirical and not the result of any detailed calculation.

When once a contribution is fixed, the practice is to distribute it over a number of years and collect the annual instalment along with land revenue. The period has varied and has been sometimes as long as 11 years.

The annual rate for the supply of water is stated in the Section 133 of the Revenue Manual to be "a portion of the land assessment, though not always consolidated in it, on grounds of convenience." The procedure relating to its levy is to be as follows :—

"Whenever canal irrigation work is extended or an old irrigation work has been restored or repaired, the Survey Department with which vests the right of fixing the water rate determines the additional annual sum, the occupier of the land benefiting from the irrigation can be called upon to pay. In the case of dry land converted into wet by the use of Government water the rate has to be fixed at the difference between the assessment on that class of land and that on wet land of similar quality in a neighbouring Government village. The rate for improved supply of water or for fresh hot weather supply is also fixed by the same department on similar considerations."

It should be noticed, however, that whether in the case of contribution or in the case of annual rents, no definite method is followed, based on accurate measurement in fixing the amounts to be obtained. One thing that can be said definitely is, while some note is taken of the value of water to the farmer, there is no indication that any attempt is made to relate either the

contribution or the annual rate to the capital expenditure and the interest on it. This is probably due to the fact that it is only in very recent years that irrigation works have been constructed out of borrowed funds. The practice hitherto has been to devote sums from the annual revenue or from savings for the purpose, so that no correlation has been established between water rates and cost of supply.

The water rate is collected along with land revenue till the time of resettlement, when it is merged in the new rate of land revenue that comes to be fixed for the land, so that the maximum period for which the water rate is kept apart from land revenue is less than 30 years. As a matter of fact the Government in at least one case have reserved to themselves the right of altering the water rate after the lapse of a shorter period. The Government order, dated 27th September 1913, regarding lands brought under wet cultivation under the Krishnarajasagara works, remarks that "as it may take some years before wet cultivation is established and the exact value of water can be gauged in the locality, Government considered it desirable that that water rater which may be now fixed should not be permanent and they are accordingly pleased to direct that the rates to be fixed for Government as well as the inam lands be temporary for a period of six years, at the end of which period they will be liable to revision at the discretion of Government."

In view of the fact that the revenue from land stands on a different footing from the charges for supply of water, it would be instructive if some estimate could be made of the share of the so-called land revenue which is really a charge for water. Only a rough calculation is presented in the absence of more definite figures. The proportion of irrigated land to dry cropped area is about 1 : 5, while the average wet assessment stands to average dry assessment in the ratio of 5:1. Therefore half the land revenue may be taken as derived from wet lands. As a matter of fact, figures of gross demand for 1923-24 are 50·59 lakhs for dry and 49·54 for wet and garden lands, out of a total of 101·76 from all sources (Table XI on page 18). Now if we deduct a sixth of the revenue from wet and garden land as land revenue proper, a little more than 40 lakhs would correspond to the charge for water, if such charges were separately made.

Recommendations of the Indian Taxation Enquiry Committee.

The principal recommendations are :—

(*a*) Wherever possible the charge for water should be separated from the charge for the land.

(*b*) The normal water rate should be a moderate share of the value of water to the cultivator, the minimum being the cost of supply and the maximum the whole of the increase in the return from the land except such portion as would be just sufficient to induce the cultivator to take the water.

(*c*) The value of the water to the cultivator should be determined in relation to prices, demand, reliability of supply and quality of water.

(*d*) The rates should be fixed by the area and should also take to account the quantity used for different crops and should be as few as possible.

(*e*) The rates should not be fixed for more than 10 years at a time.

(*f*) Where a guarantee of supply is newly given, a reasonable share of the addition made to the capital or annual value of the land by such guarantee should be taken by the State and be a charge on the owner.

These recommendations do not require any explanation. They are intended to bring out the commercial aspect of water supply.

Application of the recommendations to Mysore.

In two respects the practice in Mysore already conforms to the above recommendations. There is already a system in vogue of raising a contribution from the owner for the addition made to the capital value and the tendency also has been to fix the water rate only for a period. One reason why the question of period has not been till recent years given prominence is the fact that entirely new irrigation works have been a feature only of recent times, the earlier occasion for levying a water rate being merely an improvement in the existing works by extension or repairs.

The basis on which the rate is determined is similar to that recommended by the Committee, but there seems to be no clear cut recognition of the several elements that go to determine the inerease in value, and no attempt seems to have been made to work out a formula, or define rules, for realising the principles which seem to be more or less present in the minds of the officers who determine the rate.

The most striking defect that calls for reform is the merging of the water-rate in the land assessment, and the system is the same as that which prevails in the Madras Presidency which the Committee condemn as unsound in theory and defective in practice. They are of opinion that "the Governments would be well advised to standardise the return from the land at or near this comparatively low rate (a quarter of the net yield). But the considerations that apply to the standardisation of the taxation of real properly do not apply to the *payment* for *services rendered*, which forms a large element of the charge for water. If it is agreed that one consideration at least in determining the payment for such a charge is the value of such service, in other words, that one of the important factors to be taken into consideration is the price at which the crop can be sold, though it is clear that, under the conditions under which the land revenue is collected at present, the consolidation with it of the charge for water is no longer appropriate." So far as our State is concerned the first thing to be done is to separate land revenue from water charges in the case of all recent extensions of irrigation. The next thing to be considered is whether such a separation is possible in the case of all works, so that the charges for water may be worked on the principles enunciated above. There seems to be much difficulty in doing so. The Committee themselves remark, "It is obviously out of the question to make a change during the currency of a settlement," which is specially applicable to Mysore where a re-settlement has been just completed. The Committee proceed to say also that "there may be a difficulty in ever doing so in the case of old works," evidently in view of the creations of vested rights. This is equally true of Mysore, and it is very doubtful if any useful purpose would be served by attempting a separation of receipts on the lines suggested. On the other hand, there is obvious unfairness if commercial rates are charged for supplies of water from new

works or new supplies from old works while others are let off with the old rates. The dilemma is a hard one to resolve and can only be successfully attacked with the spread of correct ideas about the nature of water charges. Equity and the rights of the general tax payer demand that water rates should be separated from land revenue and levied on an Economic basis.

(*C*)—EXCISE.

Excise duties fall into two groups, those that are levied for the purpose of revenue only, and those that are levied with an ulterior object, generally that of restriction of consumption, though these are no less important from the revenue point of view. Examples of the former are the duties on salt and cotton piece-goods, while the latter consists of the duties on various kinds of intoxicants.

There are no excise duties of the purely revenue kind in Mysore, the lately abolished duty on cotton piece-goods being during its operation the sole example. The chief articles subject to excise duties of the restrictive kind are:—

(1) Arrack and other country spirits.
(2) Toddy.
(3) Malt liquors.
(4) Akkibhoja or rice beer (till recently).
(5) Foreign liquors.
(6) Intoxicating drugs, mainly ganja.
(7) Opium.

Other articles like methylated and rectified spirits, medicated wines, cocaine also come within the purview of excise, but though their sale is subject to license, neither fees nor duties are charged, except in the case of medicated wines, license to sell which is granted to chemists and druggists and to medical practitioners on payment of an annual fee of Rs. 10.

The revenue from country spirits, toddy, beer and hemp drugs, is derived partly from a duty and partly from shop rentals. Foreign liquor pays no duty but its sale is subject to license and surcharge fees. Opium yields a revenue both in the way of license fees as well as profits on sale. It will be convenient to summarise briefly the administrative provisions in each case.

(1) *Country spirits.*—Their production is carried on by a contractor under Government supervision at the Government Central Distillery, Bangalore. The right of manufacture is sold by tender, generally for a period of 3 years. It carries with it the obligation to supply for

distribution at a stated price required amounts of spirits from time to time to the depots which are located all over the province. The liquor is taken from the bonded depots to retail shops, by those who run them, on prepayment of duty and price, which are prescribed from time to time. The duty in force at the present time is Rs. 6-8-0 in cities and Rs. 5-8-0 elsewhere per gallon and the price of supply is Rs. 1-4-0 per gallon.

The right of vend in retail shops is generally disposed of by auction every year. The strength at which arrack may be sold is also prescribed from time to time.

(2) *Toddy.*—In addition to the sale of the right to vend in retail shops, a tax is imposed on every tree from which it is intended to draw toddy. The rate of tax at present varies from Rs. 2 to Rs. 4-8-0 according to the class of the tree. In addition to the tax, there is also a tree rent for the use of Government trees.

Licenses are granted for the tapping of trees, on the basis of about 30 date trees to a tapper.

(3) *Malt liquors.*—These are not manufactured in the State, and the State derives a revenue from their import and consumption, partly by a duty of Rs. 0-8-0 per gallon and partly by the sale of the right to vend by auction.

(4) *Akki Bhoja.*—No duty is levied on production for *bonafide* home consumption, production and sale to the public was subject to license, which is disposed of by public auction; but lately licenses which were given only in one taluk have been with drawn.

(5) *Foreign liquors.*—Revenue is obtained from them in the form of license fees, registration and surcharge fees. The scale of fees on different kinds of licenses is fixed from time to time, and the present rates are given in the following table. Only a small sum is realised, Mysore, Bangalore and Kolar being responsible for nearly all of it.

TABLE XII.

SCALE OF LICENSE AND SURCHARGE FEES FOR FOREIGN LIQUORS.

	Rs.
1. Wholesale license	200
2. Retail 'Off' license :—	
(i) In Bangalore	625

	Rs.
(ii) In Mysore and Kolar Gold Fields ...	375
(iii) In places other than Bangalore, Mysore and Kolar Gold Fields	180
3. Hotel and Boarding House License ...	150
4. License for Railway Refreshment Rooms :—	
(i) In Bangalore and Mysore	200
(ii) In other places	180
5. License for Ordinary Refreshment Rooms ..	180
6. License for Proprietory Clubs and Co-operative Societies	75

N.B.—In addition to the above scale of fees which has to be paid in advance before the issue of the licenses, a surcharge fees of Rs. 30 on every 125 gallons or fraction thereof sold in excess of 250 gallons will have to be paid immediately after the close of each quarter of the official year for which the license is granted.

(6) *Intoxicating drugs.*—" The term includes ganja, bhang, and every preparation and admixture of the same and every intoxicating drink or substance prepared from any part of the hemp plant."

The supply of ganja required for consumption in the State is drawn from the Goribidnur Taluk of the Kolar District, where its cultivation is permitted only under license. The output is bought from the cultivators, the price paid depending on the quality of the drug produced. Ganja is pressed into cakes at site and then transported to the Stores at the Government Distillery, Bangalore, from where supplies are made to taluk treasuries for issue to licensed shop-keepers on payment of duty and price. The privilege of vending ganja in the retail shops is disposed of by auction. The price at the present time is Rs. 1-12-0 per seer and the duty Rs. 20 (Rs. 22-8-0 from 1st July 1927).

In the Bangalore Taluk an interesting attempt has been made to substitute a system of surcharges on a progressive scale for the sale of vend rights. Approved applicants who have been granted licenses to sell are supplied the commodity at Rs. 1-12-0 per seer along with a duty of Rs. 20. They are expected to sell it at Rs. 0-10-0 a tola, no one person being allowed to buy more than 4 tolas at a time. Out of the surplus of Rs. 28-4-0 per seer, the vender will have to meet his working expenses and

pay to the Government in the month following that of sale, an additional sum calculated as follows :—

TABLE XIII.

Number of seers issued from the Treasury				Surcharge per seer		
				Rs.	a.	p.
3	(A slightly revised scale will come into operation from 1st July 1927).			17	0	0
6	do	do	...	20	0	0
9	do	do	...	22	0	0
12	do	do	...	23	0	0
15	do	do	...	23	8	0
18	do	do	...	24	0	0
21	do	do	...	24	8	0
24	do	do	...	25	0	0
27	do	do	...	25	4	0
30	do	do	...	25	8	0
33	do	do	...	25	8	0
36	do	do	...	25	12	0
39	do	do	...	26	0	0
42	do	do	...	26	0	0
45	do	do	...	26	8	0

Over 45 seers at Rs. 28-4-0.

In other words, it will not pay a vendor to sell beyond 45 seers per month at the outside.

(7) *Opium.*—Opium consumed in the State is imported from Madras by the Government and supplied to retail vendors. The right to sell opium by retail and to manufacture and sell intoxicating drugs from opium or preparations for smoking is sold by public auction annually. In Bangalore Taluk an experiment similar to the one referred to under ganja is being made.

The accompanying tables (Nos. I, II and III) show the revenue from excise in the aggregate as well in the detail under different heads. The following points seem deserving of attention :—

(*a*) The total revenue was more or less stationary from 1903-04 to 1911-12, when it began to rise sharply till it reached the maximum in 1921-22, since when it has been steadily declining.

(*b*) The increase in the yield from shop rentals has been far greater in proportion than the increase in the yield from duties.

(c) The relative proportions of shop rentals and duty in the case of arrack and toddy are in marked contrast not merely with each other but also to some extent with the proportions in British India. In Mysore, the duty on arrack is about 2/3rds of the total revenue from this source. while the tree tax in the case of toddy is less than a third of the total yield. In comparison with British India, the proportion of the duty in arrack is not dissimilar, but the tree-tax in Madras is very nearly equal to the yield from rentals.

TABLE XIV.

Excise Revenue (total figures taken from Budgets).

TABLE I.

[In Lakhs of Rupees.

Years	Amount	Years	Amount
1903-04 ...	37·24	1916-17 ...	59·22
1904-05 ...	38·26	1917-18 ...	62·26
1905-06 ...	38·44	1918-19 ...	66·91
1906-07 ...	39·77	1919-20 ...	72·45
1907-08 ...	41·83	1920-21 ...	77·22
1908-09 ...	43·63	1921-22 ...	76·02
1909-10 ...	41·63	1922-23 ...	71·52
1910-11 ...	41·72	1923-24 ...	70 19
1911-12 ...	41·47	1924-25 ...	66·43
1912-13 ...	47·45	1925-26 ...	64·00
1913-14 ...	51·61	(Revised)	
1914-15 ...	54·85	1926-27 ...	62·50
1915-16 ...	56·06	(Budget) ...	

TABLE XV.

TABLE II. Excise Revenue—Budget Figures.

[In Lakhs of Rupees.

Years	Arrack	Toddy	Beer	Akkibohja License fees	Ganja	Opium	Miscellaneous	Refunds	Total	Remarks
1903-04 ...	18·84	17·08	·29	·01	·62	·33	·04	...	37·24	Miscellaneous includes share of cost of Central distilley recovered from C. and M. Station. *Includes Beer and Akkibohoja and other receipts (a).
1904-05 ...	20·03	16·81	·17	·01	·56	·50	·05 ·03	...	38·16	
1905-06 ...	18·78	18·50	·15	·02	·53	·35	·11	...	38·44	
1906-07 ...	20·02	18·07	·09	·02	·53	·34	·10	...	39·77	
1907-08 ...	21·79	18·86	·06	·08	·59	·41	·09	...	41·83	
1908-09 ...	21·95	20·42	·02	·03	·68	·43	·10	...	43·63	
1909-10 ...	21·05	20·03	...	...	·24	·40	·32*	·41	41·63	
1910-11 ...	20·53	19·23	...	...	1·25	·51	·40	·20	41·72	
1911-12 ...	21·11	19·22	...	...	·96	·40	·42	1·34	41·47	
1912-13 ...	23·74	22·26	...	...	1·22	·48	·40	·65	47·45	
1913-14 ...	25·64	24·23	...	..	1·35	·51	·46	·58	51·61	
1914-15 ...	25·07	27·32	...	...	1·75	·58	·58	·45	54·85	
1915-16 ...	26·45	27·62	...	...	1·95	·58	·61	1·15	56·06	
1916-17 ...	27·33	28·61	...	...	2·31	·72	·87	·62	59·22	
1917-18 ...	28·38	30·57	...	...	2·55	·72	·94	·90	62·26	
1918-19 ...	29·97	34·13	...	...	3·08	1·08	1·25	2·59	66·91	
1919-20 ...	32·25	35·18	...	...	4·39	·98	1·92	2·28	72·45	
1920-21 ...	32·27	39·83	...	...	4·75	·99	1·47	2·13	77·23	
1921-22 ...	29·68	39·93	...	...	4·75	1·06	1·95	1·35	76·02	
1922-23 ...	29·40	37·66	...	..	4·67	1·18	1·68	3·08	71·52	
1923-24 ...	26·68	37·32	...	...	4·74	·92	1·75	1·22	70·19	
1924-25 ...	25·29	34·52	...	...	4·86	·91	1·88	1·03	66·43	
1925-26 (Revised) ...	25·67	32·66	...	...	4·54	·96	1·37	1·20	64·00	
1926-27 (Budget) ...	24·60	32·00	...	...	4·55	·95	1·43	1·03	62·50	

(a) Other receipts include—Special Liquor—License fees.
Foreign Liquor—License and other fees.
Beer—Duty and license fees.
Fines, confiscation and Miscellaneous.

TABLE XVI.

TABLE III. EXCISE REVENUE—Administration Reports.

Particulars	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25	Remarks
Arrack—							
Duty	21·79	20·21	18·55	17·19	15·42	15·57	
Shop-rent	11·74	13·40	13·26	13·36	12·19	11·02	
Miscellaneous (surcharge and Registration fees.)	·32	...	...	...	...	...	
Total ...	33·86	33·62	31·61	30·55	27·61	26·60	
Percentage of duty to total ...	64	60·3	58·1	56·2	56	59	
Toddy—							
Tree-tax	11·34	11·01	10·70	10·64	10·45	9·27	Figure in brackets represents tree-rent credited to Excise Department.
Shop-rent	25 86	29·47	31·87	29·17	28·62	26·73	
Tree-rent	·76 (·71)	·72 (·66)	·69 (·63)	·61 (·56)	·55 (·52)	·47 (·43)	
Total ...	37·98	41·21	43·20	40·37	39·60	36·44	
Percentage of duty tree-tax to total ...	29	27·2	24·5	26·3	26·3	25·4	
Beer—							
Duty	·03	·04	·07	·06	·09	·06	
Shop-rent including license fees	·09	·14	·10	·06	·06	·06	
Percentage of duty to total ...	23	22	42	48·1	60	50	
Total ...	·13	·18	·17	·12	.15	·12	
Akkibhoja—		·07	·07	·06	·06	·07	
Shop-rent	·96						
Foreign Liquors—							
Duty	...	...	Nil	...	...	...	
License fees	·09	·12	·14	·11	·11	·11	
Miscellaneous—surcharge and Registration fees.	·02	...	...	·01	·01	·01	
Total ...	·11	·12	·14	·12	·12	·12	

TABLE XVI—*concld*

Particulars	1919-20	1920-21	1922-22	1923-23	1924-24	1924-25	Remarks
Ganja—							
Duty and Price	2·57	2·58	2·92	2 62	2·64	2·79	
Shop-rent	1·99	2·18	2·14	2·29	2·12	2·14	
Total ...	4·56	4·77	5·08	4·92	4·77	4·94	
Percentage of duty to total ...	56	54	58	53·3	55	56	
Opium—							
Duty	...	...	...	...	...	...	
Shop-rent (license fees)	·40	·34	·29	·34	·32	·28	
Miscellaneous—Gain on sale of opium ...	·21	·57	·77	·82	·60	·62	
Total ...	·61	·91	1·07	1·16	·93	·90	
Miscellaneous—							
Fines and confiscations	·19	·23	·25	·32	·28	·31	(Proportionate cost of distillery establishment met by the Residency.)
Other items	·04 (Excise Rent)	...	·07	·07	·006	·004	
Tota ...	·23	·23	·32	·39	·29	·31	

An attempt has been made by means of index numbers and a graph* to bring together the variations in total revenue, shop rentals, quantity of spirits consumed and the number of trees tapped and the rates of duty. The conclusion seems to be warranted that the abnormal rise in the revenue during the years 1911-12 to 1921-22 was due to the speculation in shop rights, which swamped the factors that would otherwise have led to a slow decline.

* Not printed.

TABLE XVII.

Excise Revenue.

Years	Total Revenue in lakhs of rupees	Index numbers Base year 1911-12	Shop-rentals in lakhs of rupees	Index numbers Base year 1911-12	Consumption of arrack (lakhs of gallons)	Index numbers Base year 1911-12	Number of toddy trees tapped (in lakhs)	Index numbers Base year 1911-12	Duty on arrack (high duty area not considered) per gallon	Index numbers Base year 1911-12
									Rs. a. p.	
1911–12 ...	41·21	100	18·04	100	38·76	100	4·38	100	4 12 0	100
1912–13 ...	47·77	116	20·57	114	42·88	111	4·45	102	do	100
1913–14 ...	52·04	126	22·67	126	4·66	120	4·71	108	do	100
1914–15 ...	55·06	134	27·65	153	3·77	97	4·77	109	5 4 0	111
1915–16 ...	55·45	135	26·49	147	3·83	99	4·58	104	do	111
1916–17 ...	58·29	141	27·72	154	4·20	108	4·44	101	do	111
1917–18 ...	65·37	159	33·27	184	4·10	106	4·68	107	do	111
1918–19 ...	71·33	173	35·01	194	3·95	102	4·56	104	do	111
1919–20 ...	76·72	186	40·75	226	3·76	97	4·70	107	do	111
1920–21 ...	81·26	197	47·76	265	3·52	90	4·57	104	do	111
1921–22 ...	81·67	198	47·80	265	3·19	82	4·36	100	do	111
1922–23 ...	77·73	189	45·42	252	2·82	73	4·08	93	5 8 0	116
1923–24 ...	73·55	178	43·50	241	2·47	64	3·99	91	do	116
1924–25 ...	69·53	169	40·44	224	2·48	64	3·52	80	do	116

N.B.—Excise Revenue—Collections of Revenue given (*Vide* Government Review on the Administration Reports of the Excise Department. For the first 6 years, net figures are given, as the Review contained two sets of figures.)

Shop-rentals—Include shop-rentals on country spirits including arrack and special liquors, toddy, foreign liquor license fees, license fees, on beer, akkibhoja, ganja, opium and surcharge and registration fees.

Tables A and B have also been prepared, on the model of those in the report of the Indian Taxation Enquiry Committee. showing the relation of the number of shops to population and area served in the case of the principal intoxicants. It will be seen that as compared with 1904-05, the number of arrack shops shows a considerable decline, the area and the population served showing a large increase. The same generalisation holds good of toddy also. A striking feature presented by the tables, is, however, the large increase in the consumption of ganja. The number of shops remains stationary, some districts even showing an increase. Duty, license fees, and the amount of consumption all show a rise since 1904-05 :—

	1904-05	1924-25
Number of shops	254	254
Consumption (in seers)	8,312	13,970
Duty	Rs. 27,033	Rs.2,79,479
License fees	Rs. 30,079	Rs.2,14,992

It is instructive to compare the position in British India. The table on page 178 of the report shows a marked fall in the number of shops, with, however, a sharp increase in revenue. The duty has been raised very considerably since 1906-07 which is the year of comparison.

There has also been an increase in Mysore, and the remarks of the Committee apply to Mysore equally : " In the case of this drug, the increase in the direct duty has been remarkable. In spite of it, consumption has not declined to the extent that might have been expected (in Mysore there has been an increase), and this is reported from more than one province to be due to the prohibitive prices of country liquor resulting in resorts to hemp drugs as an alternative." The subject deserves further examination.

TABLE XVIII.

TABLE SHOWING CONSUMPTION AND REVENUE ON EXCISABLE ARTICLES.

TABLE A. Country spirits.

Names of districts	Population (in thousands)					Consumption (in thousands of gallons)					Revenue (in thousands of rupees)				
	1904-05	1914-15	1924-25	Percentage of increase or decrease	Percentage of increase or decrease	1904-05	1914-15	1924-25	Percentage of increase or decrease	Percentage of increase or decrease	1904-05	1914-15	1924-25	Percentage of increase or decrease	Percentage of increase or decrease
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Bangalore ...	790	809	910	+2·4	+12	109	115	84	+ 6	— 18	596	760	870	+ 27	+14
Kolar ...	724	780	792	+8	+1·6	120	86	32	— 28	— 62	721	572	322	— 26	—44
Tumkur ...	679	735	773	+8·3	+5·2	10	14	8	+ 40	— 43	56	91	76	+ 62	—21
Mysore ...	1,295	1,342	1,408	+3·7	+5	45	53	43	+ 18	— 19	247	366	444	+ 48	+21
Hassan ...	569	580	584	+2	+ ·7	13	18	17	+ 38	— 5	74	129	141	+ 76	+ 9
Kadur ...	363	338	324	—7	—4·1	24	37	28	+ 54	— 24	139	247	219	+ 77	—11
Shimoga ...	532	517	493	—3	—4·6	39	54	38	+ 38	— 29	220	383	322	+ 74	—16
Chitaldrug ...	499	564	574	+13	+1·8	7	13	10	+ 88	— 23	43	90	98	+109	+ 9
Total ...	5,450	5,705	5,851	+4·4	+2·6	367	390	262	+ 6·2	—32·8	2,097	2,639	2,493	+ 26	— 6

TABLE A—*contd.*

Toddy Revenue.

Names of districts	Tree-tax			Shop-rent			Tree-rent credited to excise and other departments			Total		
	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25
1	2	3	4	5	6	7	8	9	10	11	12	13
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bangalore	57,768	93,495	1,31,929	2,13,932	3,00,985	5,66,676	4,508	5,247	2,944	2,76,209	3,99,727	7,01,550
Kolar	74,401	1,10,210	1,43,965	1,50,001	2,54,697	3,21,901	7,769	9,575	4,453	2,32,172	3,74,482	4,70,323
Tumkur	86 553	1,32,561	1,60,620	2,17,915	3,36,878	3,03,319	11,155	15,429	9,545	3,15,604	4,84,868	4,73,485
Mysore	1,07,989	1,63,587	1,75,731	2,83,657	4,70,422	5,65,603	16,098	19,253	9,478	4,07,745	6,53,262	7,48,819
Hassan	40,799	73,784	87,376	98,161	1,99,057	2,47,498	6,003	9,247	5,835	1,61,321	2,06,300	3,40,911
(Bagani)	*7,065	9,517	...	9,271	14,695	...	...	...	...	...	...	...
Kadur	21,576	32,778	57,710	61,415	1,32,418	1,88,823	3,647	4,527	2,544	1,11,204	2,14,041	2,49,078
(Bagani)	*11,939	15,812	...	12,626	27,506	...	..	...	...	...	...	...
(Akkibhoja) ...	...	...	...	578	...	...	...	...	...	...	...	...
Shimoga	12,418	23,674	42,951	29,972	79,228	1,32,404	2,647	3,366	2,315	61,940	1,32,564	1,77,671
(Bagani)	*10,429	10,998	...	6,476†	11,983	...	...	...	...	...	...	...
(Akkibhoja) ...	...	...	...	959	3,315†	6,966†	...	...	...	...	...	...
Chitaldrug	67,731	1,01,086	1,28,664	1,46,945	2,43,382	3 47,157	13,482	12,275	6,802	2,30,158	3,56,743	4,82,625
Total ...	4,69,218	7,31,178	9,27,154	12,04,000	20,18,069	26,73,389	65,314	78,923	43,922	17,96,353	28,21,987	36,44,466
	*29,452	36,328	...	28,374	51,185	...	...	...	...	...	...	6,966
	...	...	...	1,537†	3,315†	6,966†	...	...	...	...	...	...

[Tree-tax from bagani.
[Shop-rent from bagani.
Akkibhoja license fees.

TABLE A—*contd.*

Foreign liquors.

Names of districts	Number of shops			Consumption (gal.)			Revenue (rupees)		
	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25
							Rs.	Rs.	Rs.
Bangalore ...	20	27	14	2,388	3,850	1,862	825	2,245	5,661
Kolar ...	22	9	24	39,014	25,806	14,255	5,040	4,830	3,687
Tumkur ...	2	1	1	255	114	112	60	120	150
Mysore ...	10	8	8	2,154	1,596	1,168	480	2,440	2,231
Hassan ...	4	1	2	479	215	523	180	120	300
Kadur ...	6	3	1	2,588	1,207	131	450	670	150
Shimoga ...	3	1	1	237	71	229	189	300	150
Chitaldrug ...	1	1	1	172	200	131	120	120	150
Total ...	68	51	52	47,288	33,062	19,415	7,335	10,845	12,479
Wholesale ...	5	1	2	..	...	...	...	..	...
Retail ...	31	12	7	...	...	...	...	...	...
Refreshment ...	13	12	14	..	...	...	...	..	...
Hotel ...	4	2	4	..	...	...	...	..	..
Special ...	6	1	...	..	...	..	...	...	...
Occasional ...	8	11	25	..	..	...	...	...	...
Dining ...	1	5	...	...	...	...	..	...	...
Chemists ...	...	8	...	..	..	...	...	...	...

TABLE A—*concld.*

Ganja and Majum.

Names of districts	Consumption of ganja in seers			Revenue								
				Duty			License fees and shoprentals			Total		
	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25
Bangalore	1,592	1,280	2,524	4,647	14,168	50,480	5,215	13,248	38,312	9,562	27,416	88.792
Kolar	1,740	1,086	2,873	5,646	12,156	57,460	5,930	11,483	24,633	11,576	23,639	82,093
Tumkur	842	1,088	1,143	2,873	13,046	22,860	3,246	7,244	16,863	6,219	20,290	39,723
Mysore	1,476	1,867	2,342	5,064	20,336	46,840	5,330	11,489	46,829	10,395	31,825	93,669
Hassan	470	709	953	1,575	7,188	19,060	1,785	4,660	13,659	3,160	11,848	32,719
Kadur	599	581	402	2,046	6,547	5,119	2,536	6,422	9,697	4,582	12,969	17,816
Shimoga	1,153	1,663	2,176	4,017	18,671	43,620	4,592	17,598	39,708	8,609	36,269	83,218
Chitaldroog	427	1,185	1,557	1,462	13,331	31,040	1,541	8,210	25,290	3,004	21,541	56,480
Total ...	8,312	9,399	13,970	27,033	105,446	279,479	30,079	80,356	2,14,992	57,112	1,85,802	4,94,472

Opium

Names of districts	Consumption (in seers)			Revenue (license fees)		
	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25
Bangalore	438	247	241	4,744	5 808	7,281
Kolar	258	339	936	5,220	6,869	7,331
Tumkur	61	53	29	198	843	730
Mysore	280	275	190	4,459	3,374	7,302
Hassan	73	77	64	345	1,314	1,410
Kadur	105	79	49	656	2,583	1,653
Shimoga	73	67	79	1,575	2,095	1,992
Chitaldrug ...	27	20	20	155	408	594
Total ...	1,417	1,160	1,609	17,655	25,644	28,296
Gain on sale of opium.	...	...	...	31,981	30,106	62,370
Total ...	...	...	...	49,636	55,750	90,666

TABLE XIX.

ABLE SHOWING (1) NUMBER OF SHOPS, (2) AREA PER SHOP, AND (3) POPULATION PER SHOP IN RESPECT OF EXCISABLE ARTICLES.

Country spirits. { (*a*) Arrack. (*b*) Special liquors. (*c*) Methylated spirits.

TABLE B.

Names of districts	Number of country spirit shops			Area per shop in square miles			Population per shop		
	1904-05	1914-15	1924-25	1904-05	1914-15	1924-2	1904-05	1914-15	1924-25
Bangalore ...	239	179	126	15	17·8	29·03	2,315(*a*) 3,446	4,675	8,556
Kolar ...	188	152	119	20	21·9	28·63	1,278(*b*) 4,238	5,380	7,138
Tumkur ...	52	49	42	80	86·4	101·5	13,061	15,646	19,328
Mysore ...	77	73	71	47	84·6	98·17	3,784(*c*) 20,798	20,647	25,059
Hassan ...	43	41	46	54	72·0	72 0	13,290	15,681	15,783
Kadur ...	100	88	74	12	34·4	42·89	3,628	4,178	5,066
Shimoga ...	161	170	162	10	24·7	27·05	2,938	3,170	3,306
Chitaldrug ...	43	40	39	28	112·4	112·4	11,600	15,250	15,518
Total or average.	923	792	679	32	39·4	49·09	5,904	7,638	12,209

(*a*) (i) Bangalore City (ii) Rest of district
(*b*) (i) Kolar Gold Fields (ii) Do
(*c*) (i) Mysore City (ii) Do

Toddy and fermented liquors. { (*a*) Country beer (*b*) Akkibhoja (*c*) Toddy.

Names of districts	Number of shops			Area per shop in square miles			Population per shop		
	1904-05	1914-15.	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25
Bangalore ...	312	272	238	10	11·3	12·9	2,530	2,984	3,810
Kolar ...	305	265	212	10	12·1	15·06	2,388	2,955	3,755
Tumkur ...	542	517	408	8	7·66	9·95	1,253	1,422	1,895
Mysore ..	896	779	621	6	7·06	8·85	1,446	1,725	2,213
Hassan ...	495	358	314	5	10	8·4	1,149	2,284	1,796
Kadur ...	508	300	259	6	9·23	10·6	760	1,128	1,252
Shimoga ...	527	390	219	8	11·35	13·61	1,080	1,456	1,664
Chitaldrug ...	375	321	257	10	13	16·2	1,330	1,758	2,234
Total ... or average.	3,960	3,202	2,528	8	9·3	11·33	1,400	1,811	2,255

TABLE B—*concld.*

Ganja and Majum.

Names of districts	Number of shops			Area per shop in sq. miles			Population per shop		
	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25	1904-05	1914-15	1924-25
Bangalore ...	47	44	39	66	69·9	79·9	16,801	8,883	23,254
Kolar ...	29	37	36	109	88	89 31	24,952	21,671	22.209
Tumkur ...	34	36	33	122	119·4	123·2	19,976	20,413	23,428
Mysore ...	24	33	33	162	166·6	166·31	38,093	40.667	42,525
Hassan ...	20	20	24	132	103·3	111·0	28,446	29,010	24,313
Kadur ...	21	16	15	133	174	188	17,274	21,153	21,613
Shimoga ...	53	51	54	76	80	74·63	10,003	10,131	9,121
Chitaldrug ...	16	18	20	252	231	207·9	31,175	31,347	26,708
Total ... or average.	254	255	254	116	115·9	111·05	21,456	22,462	23,038

Opium.

Bangalore ...	26	29	28	119	139·9	192·3	30,372	16,766	56,683
Kolar ...	14	17	16	227	211,9	244·54	51,686	52,010	60,949
Tumkur ...	10	11	8	416	378·18	507·7	67,916	66,849	96,640
Mysore ...	33	27	23	167	211·46	238·63	39,248	51,618	51,014
Hassan ...	16	10	10	166	206·6	266·6	35,557	58,020	58,396
Shimoga ...	13	13	12	309	336	336·0	40,903	43,059	41,047
Kadur ...	14	9	8	200	310	343·1	25,910	37,606	40,525
Chitaldrug ...	6	7	6	671	693·16	693·2	83,132	94,040	95,696
Total ... or average.	132	123	111	223	265·4	...	41,921	51,399	60,945

Recommendations of the Committee.

It now remains to enumerate the chief proposals of the Indian Taxation Enquiry Committee and examine their application to Mysore:—

(*a*) In the case of country spirits and hemp drugs, a system of supply through a managed monopoly, such as that of contract supply, should be extended wherever possible.

This is the system that has been in operation in the State for many years.

(*b*) The system of tree-tax should be extended wherever possible.

Here again, the recommended system has been in operation.

(*c*) Experiments should be made in making up ganja in a more uniform and consistent form, and of opium into pills of a fixed size.

It is understood that ganja is made into cakes of uniform size and that there is no difficulty experienced in this respect. Opium is not sold in pills.

(*d*) Instead of selling vend rights by auction, it would be desirable to introduce, under safeguards, "a system of surcharge, but on a sliding scale, so arranged that for each unit of quantity issued to a particular shop the percentage of profit accruing to the vendor is less than that in the previous unit." The system was also approved by the Indian Excise Committee of 1905-06, but it is understood it has not been a success.

(*e*) Experiments should be made in the direction of bringing the brewing of country beers under control.

The chief of these is rice-beer which, though a ready substitute for spirit, will not keep. Japan is said to have discovered a method by which rice beer made in a Central brewery can be treated so as to acquire keeping properties.

In Mysore, production of rice beer coming within the operation of excise duties was confined to one taluk, *viz.*, Thirthahalli, and even there the shops that sell the liquor have been abolished. Therefore the recommendation of the Committee does not seem to be of much practical importance at the present time.

The Committee discuss at length the economics of prohibition, and point out that successful prohibition would not merely mean loss of the present excise revenue, but also involve additional expenditure. Obviouely this would be equally true of prohibition in Mysore, where nearly one fifth of the gross revenue is obtained from this source. Apart from any sudden and dramatic introduction of prohibition, the State will have to face progressive decline in excise revenue as the accompaniment of the growth of temperance. In the circumstances the suggestion is worthy of consideration that the State should conduct experiments in the industrial use of alcohol, so that the resources of the country now devoted to the production of drink, may be utilised in eqally profitable, and less harmful ways. A good deal of arrack is made from jaggery which may be expected to be turned to ordinary consumption, but the country has other resources for the manufacture of alcohol which should be tapped.

Another aspect of the problem worth investigation at the present time is the illicit manufacture of liquor. The recent decline in the revenue is no doubt partly due to

the depression in industry and trade and in part to improved habits of life, but experienced administrators suspect increase in illicit production. Until this is reduced very considerably, fall in excise revenue means a loss to the State without the compensating gain in welfare. The following table shows the very large increase in the number of offences in respect of illicit distillation of liquor. It is probable that a part of the increase in the number is only due to greater invigilation, but the special case of Shimoga requires to be watched carefully.

TABLE XX.

OFFENCES IN RESPECT OF ILLICIT DISTILLATION OF LIQUOR.

.....	1904-05	1914-15	1924-25
Bangalore	...	...	...
Kolar	...	3	8
Tumkur	...	...	3
Mysore	...	...	3
Hassan	...	...	...
Kadur	14	5	21
Shimoga	35	39	164
Chitaldrug	3	...	5
Total ...	52	47	204

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(*D*)—INCOME-TAX.

A noteworthy fact is that, although incomes have been taxed in various ways from very early times, the income-tax in its modern form was even in the opening years of the present century looked upon only as a temporary expedient to tide over a passing emergency, and it was only in 1907 that it came to be accepted even in Great Britian as a permanent feature of public finance. War and Post-war finance have made this form of taxation practically universal.

British India adopted this tax so early as 1860 on the British model, but dropped it in favour of other substitutes, only to revert to it in 1886. Till 1916, the tax was levied at a flat rate of five pies in the rupee on all incomes. In that year the principle of progression was introduced, and a super-tax followed in the next year.

Though a committee of the Mysore Economic Conference reported in favour of an Income-tax with a progressive scale as early as 1914, the tax was introduced only in 1920. The first Regulation and the subsequent amendments are all closely modelled on the Statutes of British India, the only difference being in the rates of levy.

The principal provisions are briefly summaried below:—

(*a*) The tax is levied on income arising or received in Mysore. In addition to incomes accruing in Mysore to persons resident in the State, this covers two other classes of income, which are specially mentioned in the Regulation:—

(i) Income accruing outside Mysore to a person resident in Mysore, provided it is brought into Mysore within three years of the end of the year in which it arose.

(ii) Income earned by any person residing outside Mysore, through any business connection or property in Mysore, the person dealt with being the agent or the resident in Mysore who carries on the business or manages the property in association with or on behalf of the outsider.

Certain classes of income are exempt from the tax, the most important of which in the present context are agricultural incomes. (Agricultural incomes derived from property *outside Mysore* can be assessed).

The period for which the income is calculated is the year previous to the one in which the tax is levied.

From the income thus ascertained, certain deductions are made before assessment :—

(i) Losses incurred in the course of the year.
(ii) Working expenses such as insurance and depreciation charges.
(iii) Insurance premia to the extent of a sixth of the total income.

(*b*) The necessary data for assessment is obtained in the main from persons who are believed to be liable to assessment, a list of such persons being prepared by the Department. This procedure is supplemented in the case of companies and Government and other offices. Information as to the income of the company, and the names of persons receiving salaries above a stated minimum are obtained from responsible parties.

Collection is in the main on direct assessment, but the tax is deducted at the source in the case of salaries paid by the Government and the local bodies.

(*c*) Income below Rs. 2,400 per annum is exempt and the rates on higher sums is graduated as follows :—

A. In the case of every individual, every unregistered firm and every undivided Hindu family :—

(1) When the total income is less than Rs. 2,400	Nil.
(2) When the total income is Rs. 2,400 or upwards but less than Rs. 9,000	3 pies in the rupee.
(3) When the total income is Rs. 9,000 or upwards but is less than Rs. 25,000	4½ pies in the rupee.
(4) When the total income Rs. 25,000 or upwards but is less than Rs. 40,000	6 pies in the rupee.
(5) When the total income is Rs. 40,000 or upwards but is less than Rs. 50,000	9 pies in the rupee.
(6) When the total income is Rs. 50,000 or upwards	1 anna in the rupee.

B. In the case of every company and every registered firm, on all incomes not below Rs. 2,400 :—

1 anna in the rupee.

Over and above the income-tax, a super-tax of one anna in the rupee is levied on all sums in excess of Rs. 50,000.

Double taxation in the case of incomes arising outside Mysore and brought to Mysore or arising in Mysore is avoided by arrangements with British Indian and British Income-tax authorities.

(*d*) The administration is separately organised so far as the central office is concerned, and there are separate establishments for the assessment and collection of the tax in the cities of Mysore and Bangalore. Elsewhere in the State, the revenue officers are Ex-officio Income-tax officers of the corresponding grades for the purpose of assessment and collection.

The accompanying tables give the number of assessments, the income taxed, and the yield from each class of assessee.

TABLE XXI.

INCOME-TAX.

(In lakhs of Rs.)

Classe sof income	Number of assessees (Individuals)						*Total of incomes assessed			Remarks
	1920-21	1921-22	1922-23	1923-24	1924-25	1925-26	1923-24	1924-25	1925-26	
2,400—2,999 ...	1,117	1,200	1,165	1,369	1,530	1,993	40·43	44·91	45·52	
3,000—3,999 ...	877	944	1.069	942	1,153	1,373	35·78	44·72	45·38	
4,000—4,999 ...	420	589	609	537	653	735	24·63	28·26	30·98	
5,000—5,999 ...	287	363	384	296	451	446	17·54	24·49	22·32	
6,000—7,499 ...	267	356	339	328	413	361	22·95	24·64	22·44	
7,500—8,999 ...	160	191	206	187	276	259	17·35	20·23	21·66	
9,000—9,999 ...	45	84	106	91	109	135	8·59	11·92	11·33	
10,000—12,499 ...	125	129	160	172	167	192	19·93	19·37	20·99	
12,500—14,999 ...	58	95	98	97	101	99	14·92	15·53	12·57	
15,000—19,999 ...	82	105	104	86	101	118	16·64	17·32	20·10	
20,000—24,999 ...	50	46	42	45	50	55	10·02	8·38	12·03	
25,000—29,999 ...	19	29	19	19	16	29	5·60	3·26	6·14	
30,000—39,999 ...	23	28	21	22	22	15	8·33	6·63	4·48	
40,000—49,999 ...	12	11	14	6	15	14	1·97	4·62	4·28	
50,000—74,999 ...	11	12	3	2	7	20	1·02	6·56	5·57	
75,000—99,999 ...	8	3	1	...	...	...	...	...	...	
1,00,000—1,49,999 ...	2	1	...	...	...	...	...	...	...	
1,50,000—1,99,999 ...					Nil.					
2,00,000—2,99,999 ...					Nil.					
3,00,000 and over ...					Nil.					
Total ...	3,563	4,186	4,640	4,199	5,064	5,844	245·70	280·84	286·77	

*Figures were not available for years earlier than 1923-24.

Classes of income	Amount of tax collected. (In lakhs of Rs.)						Companies and Firms					
							Number assessed			Amount of tax		
	1920-21	1921-22	1922-23	1923-24	1924-25	1925-26	1920-21	1921-22	1922-23	1920-21	1921-22	1922-23
I	·37	·48	·54	·60	·66	·69	4	3	10	·003	·004	·013
II	·42	·52	·55	·58	·70	·71	10	9	5	·013	·019	·011
III	·28	·40	·41	·40	·44	·48	7	3	3	·008	·008	·009
IV	·24	·30	·31	·29	·38	·39	6	1	2	·007	·003	·006
V	·27	·36	·34	·38	·39	·37	9	...	6	·028	...	·025
VI	·21	·23	·26	·28	·32	·34	4	7	3	·021	·035	·015
VII	·06	·18	·20	·19	·26	·27	1	...	2	·002	...	·012
VIII	·32	·31	·41	·46	·46	·50	4	2	5	·015	·014	·034
IX	·17	·30	·30	·35	·37	·30	2	2	5	·017	·025	·034
X	·32	·42	·39	·39	·41	·47	4	4	6	·037	·041	·065
XI	·27	·25	·21	·24	·20	·29	1	2	4	·014	·028	·042
XII	·15	·25	·14	·16	·13	·19	3	1	...	·039	·016	...
XIII	·24	·29	·21	·26	·21	·15	...	3	1	...	·065	·018
XIV	·17	·15	·19	·08	·21	·19	2	4	2 firm 1	·055	·110	·059 ·015 firm
XV	·19	·30	·07	·05	·42	·36	1	3	1	·033	·127	·031
XVI	·47	·17	·05	...	...	...	5	...	2	·259	...	·104
XVII	·18	·08	...	...	...	...	1	2	3	·092	·156	·253
XVIII			Nil.				3	1	1	·216	·030	·095
XIX			Nil.				1	1	2	·164	·160	·449
XX			Nil.				7	8	8	4·957	6·488	7·072
Total ...	4·33	4·995	4·59	4·72	5·56	5·65	75	56	71 1	5·989	7·696	8·355 ·015 firm

TABLE XXII.

Super-tax (Companies and other assessees).

Classes of Income		Number of assessees			Collections			Remarks
		1923-24	1924-25	1925-26	1923-24	1924-25	1925-26	
Rs. Rs.								
50,001 to 1,00,000	...	6	3	12	·073	·009	·123	Collections from companies.
		1	2	4	·00025	·042	·047	Do individuals.
		...	...	1	..	...	·009	Do unregistered firms.
1,00,001 to 1,50,000	...	*1	*2	1	*·019	*·079	·032	Do individuals.
1,50,001 to 2,00,000	...	...	3	2	...	·078	·170	...
2,00,001 to 2,50,000	...	1	...	1	·148	...	·108	..
2,50,001 to 3,00,000	...	...	2	...	...	·274	...	...
3,00,001 to 3,50,000	...	...	...	...	...	...	...	...
3,50,001 to 4,00,000	...	1	...	1	·195	...	·018	...
4,00,001 to 4,50,000	...	1	...	...	·223	...	...	..
4,50,001 to 5,00,000	...	...	...	...	...	...	...	...
5,00,001 and over	...	9	13	12	4.851	5·558	7·297	...
Total	...	18	21	29	5·492	5·921	7·750	Collections from companies.
		2	4	4	·019	·122	·047	Do individuals.
		...	...	1	...	...	·009	Do unregistered firms.

TABLE XXIII.

INCOME TAX.

	Income of companies that pay income-tax but not super-tax	Income accruing in Mysore of companies that are assessed for super-tax	Additional yield if the persons that now pay income-tax were assessed on non-agricultural income at rates on the basis of that income as well as agricultural income	Amount of agricultural income and the number of persons that would be liable to assessment if the income-tax were extended to this class of income
	Rs.	Rs.		
Cities of Mysore, Bangalore (taluks being included.)	2,44,384	18,36,594	No information, as agricultural income is not returned.	
Bangalore District ...	..	..	Information called for from Amildars.	No information.
Shimoga „ ...	3,64,349	2,95,234	Requires detailed enquiries through Amildars.	
Mysore „ ...	1,10,701	..	Requires special enquiry or a Survey requiring considerable time and establishment.	
Chitaldrug „ ...	44 907	..	About Rs. 17,000 to 18,000.	
Tumkur „ ...	...	..	Do ..	
Kolar „ ...	4,509	56,03,090 (exclusive of Rs. 7,38,179, income of Champion Reefs Co. Ltd., being not assessed to tax).	Requires enquiry through sub-division officers and Amildars.	
Hassan „ ...	...	Information not received under these heads	....	
Kadur „ ...	...	Do	.....	

Attention may be called to the following features. The observations are confined to figures of income-tax, as the super-tax is paid almost entirely by the mining companies, though even the former are to some extent affected by the income-tax paid by the mining compnies.

The number of assessees shows a marked increase from 4,199 in 1923-24 (by which time the arrangements for the levy of the tax may be assumed to have been in full working order) to 5,844 in 1925-26 while the total income increased only from Rs. 245·70 lakhs to 286·77 lakhs. The average income thus showed a decline from Rs. 5,750 to Rs. 4,906. All classes of income showed an increase in number as well as in the amount assessed, except incomes between 12,500 and 14,999 and between 30,000 and 39,999. The former was stationary in numbers but showed a decline in the amount assessed, while the latter showed a decline in both.

It is interesting to note that, as compared with 1924-25, as many as six classes of income show a fall in respect of number in 1925-26, and five of these in regard to income also.

It is not possible to generalise regarding the cause of these decreases in the absence of continuous figures for incomes derived from different sources. The diminution in the average income (which means that the total has not kept pace with the numbers) may be due to one or more of the following causes :—

(*a*) Depression in trade and its reaction on profits from business and companies.

(*b*) The grant of increasing refunds, mostly due to better understanding of the rules and regulation governing Income-tax by the people that furnish Returns.

(*c*) Arbitrary methods of taxing being replaced by basing the tax on accounts furnished by the assessees, who came to understand the necessity of maintaining such accounts in the forms required.

(*d*) Leakage in assessment.—The extent to which this is responsible can be ascertained after knowing the nature of incomes under the groups referred to above, shown as being responsible for a fall.

The Recommendations of the Indian Taxation Enquiry Committee.

1. The following recommendations are directed at the *yield* from the class of incomes now assessed :—

(*a*) Losses sustained in any one year should be allowed to be set off against profits in the next subsequent

year only subject to the condition that any assessee who claims to have sustained a loss must prove the fact by producing his accounts as soon as possible at the close of the year in which the loss is made.

The English method is to assess on the basis of the average income of three years, which will automatically allow for the loss of one year to be set off against the profits of the following year. There is no doubt that the present position needs alteration, and the recommendation of the Committee should be adopted. This will probably reduce the yield to a slight extent.

(*b*) Income of a person resident in India accruing to him outside is not taxed unless it is brought into the country within three years. There is a similar provision in the Mysore Regulation. The Committee take note of the fact that the proviso leads to much administrative difficulty and allows room for fraud. After considering the British practice of taking all such incomes, whether brought into the country or not the Committee do not recommend any change in the present practice, as the loss of revenue cannot be really very great.

The position is similar in Mysore, but it is worth while ascertaining if the loss of revenue is inconsiderable. A statement should be obtained of the incomes outside Mysore of those believed to possess property or investments outside the State.

(*c*) The Committee have come to the conclusion that the high exemption limit may be set off against the absence of allowances for dependents. They also lay stress on the danger of fraud in the absence of reliable registration of births, marriages and deaths.

The Committee have both exaggerated the chances of fraud and ignored the fact that a high exemption limit does not meet the case of those above the limit for some allowance for wives, children and dependents. The drawback of the present limit both in British India and Mysore is that the tax falls with abruptness on those not far above the exemption limit in the absence of graduated abatements. The English system of abatements is more logical, and in addition to the fact that incomes below 162 pounds in the case of the unmarried wage earner and 270 pounds in the case of the married wage earner are not taxed, incomes above those limits are taxed on a part only which tends to be larger as the income becomes larger in extent and as the subject has no family. The following

extract from the Report of the Colwyn Committee on National Debt and Taxation is interesting in this connection.

"338. Incomes up to £500—The effective exemption limit for 1925-26 varied as follows, according to the circumstances indicated:—

Single person		Married person without children		Married person with three children	
All investment income	All earned income	All investment income	All earned income	All investment income	All earned income
£	£	£	£	£	£
135	162	225	270	315	378

The income point above which the full standard rate of 4s. in the pound began to be chargeabre, instead of the half-rate of 2s. is as follows under each of the above heads :—

Single person		Married person without children		Married person with three children	
All investment income	All earned income	All investment	All earned income	All invett-ment	All earned income
£	£	£	£	£	£
360	432	450	540	540	648

339. The table below gives the amount of tax payable on certain incomes up to £500.

Total income	Single person		Married person without children		Married person with three children	
	All investment income	All earned income	All investment income	All earned income	All investment income	All earned income
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
200	5 10 0	3 3 4	...	...	..	...
250	11 10 0	7 6 8	2 10 0	..	...	...
300	16 10 0	11 10 0	7 10 0	2 10 0	...	...
350	21 10 0	15 10 4	12 10 0	6 13 4	3 10 0	...
400	30 10 0	19 16 8	17 10 0	10 16 8	8 10 0	1 16 8
450	40 10 0	25 10 0	22 10 0	15 0 0	13 10 0	6 0 0
500	50 10 0	33 15 8	32 10 0	19 3 4	18 10 0	10 3 4

It is noticeable how great a difference is made in this range of incomes by the allowances to the married men and by lower rates on earned incomes.

The reforms worth examination are :—

(i) A lower exemption limit.

(ii) Graduated abatements of incomes above the limit till sufficiently large income is reached.

(iii) Allowances for wives and children.

(i) The minimum of exemption is higher than in British India and seeing that there are only about 5,800 assessments in the whole State,is decidely too high. It is the trading and professional classes with incomes somewhat below the present minimum that, as will be pointed out in another part of the report, get off lightly taxed in proportion to their resources. A minimum of Rs. 1,800 a year is by no means too low, and is worthy of serious consideration. It cannot be seriously contended that, even on the assumption that no abatements are given, a tax of three pies in the rupee, which amounts to Rs. 28·20 per annum is a hardship in comparison with the contribution made by the poorer classes.

(ii) The one important argument against graduated abatements is that the administration will become complicated. Otherwise there is no serious argument against them.

(iii) In spite of the authoritative pronouncement of the Indian Taxation Enquiry Committee there is a great deal to be said for such allowances, and it is suggested that an allowance of Rs. 200 for one wife and Rs. 100 for each minor son or unmarried daughter up to a maximum of Rs. 700 (in all) be granted provided it is claimed. In the case of those newly brought within the operation of the income-tax, the contribution to the State will be a little more than Rs. 15 per annum.

(*d*) *Graduation.*—The Committee realised the disadvantages of the system of assessment by classes but believe that Section 17 of the Income-Tax Act reduced the hardships to a large extent. They also considered any change in the direction of the English practice inexpedient as the tax in its present form was a comparatively new and heavy impost and it was essential to secure a satisfactory system of working and not to make changes in the machinery without very solid grounds.

Their conclusion applies with even greater force to the tax in the State.

(*e*) Differentiation between earned and unearned income.

As the Committee have observed, such differentiation is premature at present.

(*f*) *Rates.*—The Committee have recommended an adjustment of the scale in British India in such wise that incomes in the intermediate groups become liable to pay a higher rate, while the incomes at either end of the scale are unaffected.

The Income-tax Department has worked out calculations of the increase in yield if the rates are :—

(1) those now prevailing in British India.
(2) those recommended by the Indian Taxation Enquiry Committee.

On the first of these bases it is seen that the increase in yield, so far as individual assessments are concerned (in the main), will be about 4·80 lakhs, while the rates recommended by the Committee would give 5·45 lakhs. The mining companies have been left out of calculation because it is understood that under the existing arrangements with the British Government, higher rates than one anna in the rupee cannot be levied.

There is much to be gained in administrative convenience by adopting the same rates as those that obtain in British India. There is also the fact to be considered that in the case of income accruing in Mysore to a person resident outside the State, while the State only gets the benefit of the lower assessment, the Imperial Government gets the surplus. It is doubtful, however, if a practical doubling of the tax will find favour with the Legislature. It is recommended, therefore, that the rates be raised in the first instance all round by 50 per cent, except in the case of four-and half pies which may be converted to the nearest whole number, *viz.*, 5 pies. Roughly speaking, along with the lowering of the minimum (modified by allowances for wife and children on incomes not exceeding Rs. 2,500), this change should bring in not less than three lakhs of rupees.

(*g*) *The super-tax on companies.*—The recommendation of the Indian Taxation Enquiry Committee is that this should be converted into a corporation profits tax without the illogical exemption of Rs. 50,000. It is also recommended that the tax should be regarded as an expense of business in arriving at the profits which are to be subjected to income-tax.

It practically amounts to levying a tax of 2 annas in the rupee on all the profits of a company, except that the actual rate will be lower since the amount of tax equal to the first one anna will be deducted before the second anna is levied. It is not possible to estimate closely what the increased yield will be. It is obvious that both the exempted half a lakh in the case of companies with a larger income as well as all the incomes of the companies with a lower income will be amenable to the tax. From such figures as are available, it is estimated that the yield will be about Rs. 75,000.

2. *Administration.*—Apart from the general remark that they consider the "improvement of the machinery as of the first importance," the committee make the following recommendations on the subject :—

(i) The practice of publishing in the annual reports a list of persons penalised for income-tax offences would possibly operate as a deterrent to the commission of such offences.

It is likely that this will result in more discontent than in good.

(ii) Income-tax Officers may be permitted to draw up lists of assessed persons and the sums for which they are liable under local taxation accounts and to furnish these to the authorities responsible for collecting local-tax.

This recommendation is reiterated in the Chapter on Local Finance. It may well be adopted in the State, specially if it will lead to a more general adoption of the profession tax.

(iii) Steps should be taken to check the growth of certain forms of legal evasion. Four of these are mentioned in the Report in Section 252, but they cannot be summarised briefly, and they are not important enough to require detailed description. It is understood that the scope for such evasion in Mysore is very limited.

3. *Agricultural incomes and Income tax.*—The Committee examine the liability of agricultural incomes to income-tax at great length, and their main conclusions are :—

(i) There is nothing either in the history of the case or in equity to justify the continued exemption of this class of incomes from the income-tax.

(ii) In the case of temporarily-settled areas, the return from such taxation would be less than is commonly supposed.

(iii) There will be serious, though not insuperable, difficulties in the assessment of agricultural incomes.

(iv) Under present conditions, for administrative and other reasons, the abolition of an exemption which has been in existence for so many years is inopportune and undesirable.

It is important to emphasise the fact that, except in the case of Inam and Kayamgutta lands, we have not only in Mysore periodical re-settlement, but the holdings

are also mostly small. It has not been possible to obtain accurate figures of the distribution of land among different persons in the State, but such information as is available suggests that there cannot be more than a thousand persons paying an assessment of Rs. 500 or more a year. It is assumed that this class would come within the operation of the income-tax on the supposition that the assessable income would be about five times the land revenue. Assuming that the volume and distribution of income from agriculture follows the same pattern as the incomes now paying income-tax, the yield would be about a sixth of the present income-tax from individuals (and companies, other than the mining companies) *i.e.*, about Rs. 95,000. It is a matter for serious doubt whether it is worth while disturbing a well established exemption for the sake of such a small increase of revenue.

The case seems to be quite otherwise with another recommendation of the Committee, *viz*, 'that when a person has an income from agriculture in addition to one from other sources, the former should be taken into consideration for the purpose of determining the rate at which the latter should be assessed. The theoretical justification is obvious. A large income is regarded as fit subject for the levy of a higher rate because the ability to bear the burden becomes greater, and whether the largeness is due to the income being derived from the same or different sources is immaterial. In technical language the marginal significance of the non-agricultural income to the owner is diminished by the presence of an income from another source, and it therefore becomes a fit subject for higher taxation.

It is unfortunately not possible to ascertain how many of the assessees to income-tax would be affected by the change, how many additional assessees there would be, and what the additional revenue would be. The income-tax Department, as well as the Deputy Commissioners, expressed their inability to furnish any information without an elaborate enquiry, which in any case could not be completed before the report was due. In view of the importance of the subject, it is suggested that the Government should call for the information. When the information is available, it will be possible to ascertain whether the yield is adequately large to compensate for the trouble involved.

(C)—STAMPS.

Stamps as a source of revenue include a number of items, but the most important of them are judicial and non-judicial stamps. The former presents some features of contrast as well as of similarity with the latter, and will be considered separately under the head "Court Fees." Non-judicial stamps are used in payment of duties on deeds and other instruments imposed under the Stamp Law.

These duties on transfer of property and commercial and other transactions are of the nature of a tax on capital, though in form a fee, and are well nigh universal on account of the convenience in collection and supervision.

The British Indian Stamp Act of 1899 was based on the British Act of 1891, and Mysore has embodied the main provisions of the Act in the Regulation of 1900. The Reforms of 1921 provincialised this source of revenue and the immediate result was a series of amending measures were passed by the various provincial Legislatures, all directed towards the enchancement of the rates of the duties. Mysore followed suit in the amending Regulation of 1922.

The main provisions of the Regulation (or Act) relate to the class of instruments that are liable to the duties, the basis of valuation, the party liable to pay the duty, the form and the time of payment, etc. The schedules specify the amount of duty to be paid in each case, the rates being ad valorem or specific, according to the nature of the document named.

The accompanying table gives the realisations from this source for the past 24 years.

TABLE XXIV.

Revenue from Non-judicial Stamps.

Budget figures (in lakhs of Rs.)

Years	General stamps	Duty on impressing unstamped and insufficiently stamped documents	Fines, penalties and Miscellaneous
1903-04 ...	2·45	·36	·11
1904-05 ...	2·51	·17	·11
1905-06 ...	2·95	·18	·11
1906-07 ...	2·99	·16	·11
1907-08 ...	3·20	·12	·12
1908-09 ...	3·57	·12	·12
1909-10 ...	3·55	·06	·11
1910-11 ...	3·48	·10	·12
1911-12 ...	3·79	·10	·14
1912-13 ...	4·04	·13	·15
1913-14 ...	4·50	·16	·14
1914-15 ...	4·56	·08	·15
1915-16 ...	4·72	·15	·15
1916-17 ...	5·02	·11	·16
1917-18 ...	5·34	·15	·18
1918-19 ...	5·42	·15	·18
1919-20 ...	7·48	·20	·23
1920-21 ...	6·88	·66	·20
1921-22 ...	6·94	·31	·21
1922-23 ...	7·39	·40	·23
1923-24 ...	7·37	·28	·23
1924-25 ...	8·20	·32	·22
1925-26 (Revised).	8·36	·36	·25
1926-27 (Budget)...	8·36	·36	·25

Since the Regulation is a replica of the British Indian Act, and the only difference is in respect of rates, the recommendations of the Committee may be considered directly with reference to local conditions. As their remark that certain rates are too high is based on the rates contained in the Act of 1899, it naturally applies with greater force to the enhanced rates which obtain now. On the other hand, their recommendations of a rise in some cases may be regarded as having been anticipated except in those few cases where the original rates remain unaltered.

The recommendations are mainly the following :—

I. Decrease in duties.

(*a*) The high rate of duty on bonds in India is believed to have the effect of encouraging the use of promissory notes, even in cases where bonds would be more appropriate instruments for carrying out the transactions. It is desirable that the duty on documents of indebtdness such as bonds and mortgages, be reduced as soon as circomstances permit.

(*b*) The lower rate of duty on a mortgage deed should be made general whether possession is given or not.

(*c*) Reconveyances should be charged two annas per cent of the mortgage debt.

(*d*) Deeds of cancellation should, instead of a fixed duty, pay the same duty as is payable in the instrument sought to be cancelled, subject to a maximum.

(*e*) The duty on deeds of transfer of an interest secured by a bond, mortagage deed, or policy of insurance is the same as that on the document in question subject to a maximum even though the rights transferred may be of lower value. Similarly, if the interest secured by more than one instrument is transferred by means of a single instrument, the transfer deed is required to bear a stamp of a value equal to the sum of the duties with which such instruments are chargeable and not of a value equal to the duty on the aggregate amount secured. In both cases, there should be a reduction.

(*f*) Deeds of adoption, instead of the present uniform duty irrespective of the value of property involved should be required to pay a lower duty of Rs. 5 where the property involved is of a value not exceeding Rs. 2,000.

There should be a similar reduction in the case of deeds of authority to adopt.

II. Increase in duties.

(*a*) The duty on settlement may be raised to the level of that on a gift.

(*b*) The duty on releases, instead of being at the level of the duty on bonds, should be at the rate charged on conveyances.

(*c*) In the case of deeds of partition of land held on revenue settlement for a period not exceeding 30 years and paying the full assessment, the value for purpose of

duty should be not the present conventional one calculated at five times the annual revenue but the actual value of the property.

(*d*) The duty on an instrument of partnership should be fixed on an ad valorem scale applied to the capital of the partnership, an appropriate rate being 4 annas per cent.

(*e*) When companies are registered, an ad valorem duty of 8 annas per cent should be charged on their nominal share capital, the present fixed duties or Articles and Memoranda being reduced to Rs. 10.

(*f*) Documents which are now exempt or liable to a lower duty, if unattached, should be placed on the same footing as similar documents which are attested.

III. Other recommendations affecting yield.

(i) The intervals between points at which the duty increases should not be too wide, as they will encourage the division of transactions and the use of more than one document. In case both of conveyances and of bonds, where the amount involved exceeds Rs. 1,000 and does not exceed Rs. 5,000 the intervals in the scale should be Rs. 200 only and not Rs. 500.

(ii) While it is desirable that the duty payable upon an instrument should depend upon facts which will normally appear in the instrument itself, the facts as stated in the document, if incorrect, should not be decisive as against actual facts. Therefore the words "as set forth in the document" should be omitted in the Stamp Act wherever they occur, but the consideration recited in the instrument should be presumed to be correct until evidence to the contrary is forthcoming.

(iii) Documents which may hereafter be required to be reduced to writing, as recommended by the Civil Justice Committee should be dealt with on the same principles as are applied to other documents of a similar nature.

IV. Miscellaneous suggestions.

The Indian Stamp Act should be revised so as to give effect to the following suggestions:—

(i) Illustrations should be added to the definitions of documents which are generally similar, but have particular distinguishing features, (*e.g.*, a bond, agreement,

and a promissory note) so that the distinguishing features are brought out.

(ii) The conflict of decisions as to the cases to which article 15 or schedule one of the Stamp Act and Article six or schedule two of the Court Fees Act respectively applies, should be set at first.

(iii) A deed of partition should be so defined as to include a list of shares drawn up at a division of property among co-owners and signed by the parties.

V. Recommendations regarding documents involved in Stock and Produce Exchange transactions.

(Omitted as they have no local application.)

VI. Recommendations bearing on administration.

(*a*) *Penalties.*—Penalties in India in the case of unstamped or insufficiently stamped instruments are unduly severe and in certain cases tend to defeat their own ends, either by being prohibitive and checking suits, or by inducing courts to be unduly lenient in admitting as evidence unstamped or insufficiently stamped documents. Therefore

(i) for the existing maximum penalty, there should be substituted a penalty of twice the deficient duty plus Rs. 5.

(ii) The limitation to one year of the period within which the document can be voluntarily produced before competent authority for rectification of the stamp duty under the provisions of the Act should be removed.

(iii) The present exclusion from evidence of instruments (other than bills of exchange, promissory notes and receipts not duly stamped should be abolished.

(*b*) *Records of revenue.*—It is desirable that a record should be maintained of revenue derived from different classes of transactions for the purpose of enabling the authorities responsible to estimate from time to time the effects of the duties imposed. An enquiry should, therefore, be made as to the possibility of securing a record of the purposes for which stamp papers are sold and of compiling it some what on the lines of the returns adopted in England.

It remains to add that these recommendations requiring legal experience both to formulate and to appreciate their full significance have been based on an elaborate

note by the Legal Advisor to the Indian Taxation Enquiry Committee and practically summarise the views expressed in it. These recommendations as well as those relating to court-fees are preeminently matters for appraisal by the legal advisors of Government.

(*F*)—COURT FEES.

Introductory.—At the outset a distinction must be made between the fees levied when an action is brought in a Criminal Court when the charges payable by the complainant are negligible and those levied in Civil Justice where they are considerable. Criminal Justice is looked upon as an essential supplement to the Police in functions of the State and no attempt is made to relate the charges to service rendered to or the benefit obtained by the interested party.

All the discussion as to the legitimacy of levying a fee for justice turns round fees for Civil Justice. It has been the subject of much discussion whether Justice should be entirely free, or whether the Court fees should be so fixed as just to recover the cost of the courts, or whether it is proper for the State to make a profit out of the service it renders. It is not necessary to enter into this controversy and the conclusion of the Indian Taxation Enquiry Committee is as follows :—

"While the pitching of the scale of fees so as to produce a revenue just sufficient to cover all the costs of the administration of Civil Justice is an ideal to be aimed at, financial considerations may justify the State charging something more, provided that the fees charged are not such as to cause substantial hardship to any class and particularly to the poorer litigants."

It is interesting to note also that in British India at any rate in the earlier years of the institution of Courts of Justice on modern lines a principle somewhat similar to that on which the determination of excise revenue is based influenced legislation. The preamble to the Bengal Regulation XXXVIII of 1795 under which the British Government for the first time imposed court fees in India, thus described the reasons for imposing them :—"Many groundless and litigious suits and complaints have been instituted against individuals and the trials of others have been protracted by the filing of superfluous exhibits, or the summoning of witnesses whose testimony was not necessary to the development of the merits of the case. The

business in many of the Courts of Judicature has in consequence increased, so as to prevent the judges determining the causes deterring individuals from instituting vexations claims, or refusing to satisfy just demands." Two years subsequent to this Regulation, the institution fees were converted into stamp duties and were increased, the preamble of the Regulation mentioning as among its objects, not only the increase of the public revenue, but the prevention of vexatious litigation. In 1803 court fees were levied all over the country, and it may be stated generally that the earlier Regulations in all the provinces were passed, not only with the object of deriving income for the support of the courts but to repress the number of petty and vexatious suits with which it was feared the courts would otherwise have been flooded. It may therefore be broadly stated that court fees were introduced by the British Government partially at least as a check on litigation."

It is no doubt possible that this principle may be a source of disadvantage to the litigants; but as has been pointed out, there is a danger that unless some such restriction is also at the back of the mind of the legislator there is a danger that luxury suits may become over-frequent of which the following are illustrations:—

"Another class of luxury suits which take up a disproportionate amount of the court's time comprises suits relating to honours and dignities in a temple or the procedence in the distribution of honours and diginites; suits relating to membership of castes or excommunication from castes; suits relating to rituals or ceremonials such as reciting mantrams or prabandhams in a temple and other suits of a similar nature. The character of these suits may not be plain from the allegations in the plaint as very often the plaint in such cases is framed as one for the recovery of a few annas worth of emoluments like cakes, etc., but will become clear at the time of the framing of the issues."

Another question of interest in this connection is the determination of the party from whom the cost is to be recovered. In the case of invasion of property obviously the aggressor must pay although he can be located only at the termination of the suit.

The existing practice in regard to court fees is determined by the Statute of 1870 in British India and the

subsequent alterations in the scale of fees as a result of the provincialisation of court fees after the reforms. The Mysore Regulation of 1901 follows closely the Statute of 1870 and the subsequent modifications, specially that of 1922 follow similar legislation in British India. The present position in Mysore is a close approximation to conditions in British India the only difference being in the rates. Both in Mysore and in British India, the Statute defines the fees to be paid on the institution of suits with exceptions and documents presented to courts for the purpose of processes. The methods of payment, penalties are also enunciated by Statute. The scale of fees is partly *advalorem*, and partly specific, fixed according to the class of document.

The yield from court fees is shown in the following table. It is interesting to note that although there has been an increase in the scale of fees since 1922 there seems to have been no corresponding check to the institution of suits as was suggested at that time as the following figures taken from the Administration Reports of court show. —

TABLE XXV.

Table showing yield from Court fees.

Years	Amount (in lakhs) Budget	Years	Amount (in lakhs) Budget
1903—04 ...	4·38	1916—17 ..	6·15
1904—05 ...	4·30	1917—18 ...	6·60
1905—06 ...	4·56	1918—19 ..	6·92
1906—07 ...	4·24	1919—20 ...	8·20
1907—08 ...	4·47	1920—21 ...	8·06
1908—09 ...	4·59	1921—22 ...	8·78
1909—10 ...	4·36	1922—23 ...	9·62
1910—11 ...	4·48	1923—24 ...	10·93
1911—12 ...	5·05	1924—25 ...	10·93
1912—13 ...	4·90	1925—26 ...	11·65
1913—14 ...	5·36	(Revised)	
1914—15 ...	5·50	1926—27 ...	11·65
1915—16 ...	5·90	(Budget)	

Recommendations of the Committee and their Application to Mysore.

As the Mysore Regulation is practically a replica of the British Indian Act the recommendations of the Committee apply directly and may be examined along with their statement.

Two important recommendations are made regarding administration of court fees. The first relates to audit, under the supposition that there is leakage. In Mysore as in British India Inspectors of Stamps are appointed and these happen to be the Registrar of the Chief Court, District Judges and the Deputy Commissioners (Government Order dated 1st Juue 1923.)

The Committee do not believe that this audit can be carried out with success by the presiding officers of courts and suggest sample enquiries by officers trained both in the law of Stamps and Court fees and in Account procedure. The opinion of the Legal Advisor to the Committee is even more emphatic.

"In the very nature of things, the inspection by the District Judges, being made more in the interests of proper administration of justice than in the interests of the revenues of the State, cannot be regarded as a substitute for a regular audit of the receipts from court fees. In most courts, judicial officers are too hard-worked themselves personally to attend to the proper payment of court fees or the punching of court fee labels by the ministerial officers placed under their control. In the Madras Presidency it seems to be the case in several courts that cancellation of court fee labels takes place only just before the records are sorted for the purpose of being despatched to the District courts for safe custody or on the eve of an impending inspection by the District Judge."

Therefore it is worth consideration whether there should not be a Special Officer such as the Stamp Reporter in the Allahabad and Patna High Courts whose duty it is to see that proper court fees have been paid not only in the High Court but also in the courts below in all cases. It will be his duty to examine the files of the subordinate courts in the cases that come up to the Chief Court and to report any deficiencies discovered.

The second recommendation of an administrative character is the maintenance of a record from which it

should be possible to determine in every area what is the amount of fees actually levied in the course of litigation, what is the actual cost of the courts and how the one compares with the other. Such a record will be very useful in view of the common belief that the civil courts are a source of profit. It has been pointed out that an elaborate enquiry was undertaken by the Government in 1886 as a result of which it was seen that except in Bengal and Madras the charges were much in excess of the receipts. The Committee recommend the following classification of receipts and charges in connection with the record:—

(1) Separation of the charges for copyist and process services, which should pay for themselves and no more.

(2) Fees which consist of pure taxation un-connected with any suit, such as duties on probates or lapsed deposits, should not be credited as receipts of Court.

(3) On the side of charges, should be included the following items:—

(i) Pay and pensions of Officers and establishment (exclusive of the copyist and process service establishment), less allowance for the time spent on criminal or revenue work,

(ii) Contingencies,

(iii) Stationery and printing charges

(iv) A share of the discount paid to stamp vendors and other expenditure incurred in realising the stamp revenue.

(v) a share of the overhead charges in the Secretariat, and

(vi) the charges for rented buildings and the interest on the capital cost and cost of maintenance in the case of those that are the property of Government.

The proposals of the Committee relating to the yield of court fees may now be examined. It has been pointed out above that the committee accept the present system under which the fees are fixed on a graduated and regressive scale by reference to the value of the subject matter litigated, but suggest the following general changes to make the system more equitable and also productive:

(i) The present practice of charging the entire institution fees to start with and later making a refund when the suit is settled by agreement or compromise is not satisfactory and therefore to avoid this evil and to make the burden of instituting a suit less onerous, it is desirable that the fee should be taken in two instalments, the first being payable at the institution of the suit and the second on or immediately after the settlement of issues. This seems to be reasonable and should be adopted.

(ii) It is pointed out that the provision in the Act (Regulation) authorising plaintiffs to value suits according to their discretion has been widely abused and requires to be changed.

Further, the present method of valuation of the subject matter of suits and assessment of fees needs change in the following respects:—

(*a*) The Committee point out that a uniform fee of Rs. 10 for a variety of suits (Article 70 schedule II) some of which are really capable of valuation, should be amended. It is understood that this has been done both in British India and in Mysore. In Mysore it has been done in 1922.

(*b*) Section 4 of the Regulation, which corresponds to section 7 of the British Indian Act, lays down, in respect of suits for the possession of immovable property, different criteria for different kinds of property. These are arbitrary and lead to absurd results. It is desirable to base the valuation on market value to which, as the Legal Advisor to the Committee points out, no difficulty need be encountered. The Committee recommend further a thorough recasting of section 7 (section 4 of the Regulation) and the preparation of a schedule similar in form to that contained in the Indian Limitation Act of 1908 of suits and appeals which only arise in civil courts with a method of valuation prescribed for each. Should a residue of suits incapable of valuation remain, fixed fees may be provided in those cases.

(*c*) The Committee apprehend that considerable revenue is lost by deficiency in the fees paid owing to inadvertance wrong valuation. The sections 10 to 12 and 28 (7, 9 and 36 of Mysore Regulation) which provide for recovery of fees apply to pending and not to decided cases. It is understood however that the loss of revenue in the matter suggested is not of any appreciable amount in Mysore.

A comparison of the rates of fees charged in Mysore and in British India shows that, after recent increases, they are on a par. Whether the further increases in the rates suggested by the Indian Taxation Enquiry Committee in their paragraph No. 343, are applicable to Mysore is a matter for expert opinion.

The Committee also admit that there are probably cases in which the existing scale of fees is high but without going into detail suggest the scrutiny of the whole schedule by experts. Therefore it seems desirable that the suggested increases as well as the entire scale should form subject of a comprehensive enquiry specially in view of the fact that there is a movement all over British India towards lowering the scale.

(*G*)--REGISTRATION.

This head includes only registration of documents, other kinds of registration such as marriages, companies, mutation of names being grouped elsewhere. In fact, registration is one of the group of three transactions relating to property which form the most important subject for the levy of fees.

The function of registration in the case of documents consists in maintaining a correct public record in the case of those that have to be registered and in giving others probative value. The question arises as to the basis of the registration charges. As in the case of other fees, there is the dual influence of cost of service and the value of service; but as a rule, the dominant influence is that of the latter, the money value of property forming the basis of the transaction being used to settle the rate of fee. At the same time a charge is made for any excess of length of the document beyond a certain maximum. Further, as the rates tend to be regressive after a certain stage, it may be said that the trouble of registering the document forms also an important factor in deciding the amount of fee to be levied.

The Mysore Registration Regulation of 1903 as amended by VI of 1908 is based on the British Indian Act of 1877 with the subsequent amendments. The principal features relevant to our present purpose relate to the classes of documents that must be registered and to those in the case of which registration is optional. The former group includes all transactions relating to immovable property of the value of more than Rs. 100 and in the case of leases for terms exceeding one year. Optional registration is in the case of the above class of instruments when the value is below Rs. 100 or the lease does not exceed one year. Other classes of instruments that may be registered are wills etc. The rules under section 78 of the Regulation give the rates to be charged for the several classes of documents registered and these rates compare with the rates in British India as follows:—

(i) Documents relating to immovable property.

(ii) Registration of wills and authorities to adopt.

(iii) Optional registration of documents not relating to immovable property.

(iv) Sealed covers.

There are also various fees prescribed for sundry service that may be performed either in connection with registered documents or otherwise by a registration office.

The yield from this source is considerable, and in all the British Indian provinces the receipts from registration generally show a considerable surplus, ranging from 29 to 70 per cent over the cost of the department. The following table gives for the State the amount of revenue from registration and the expenditure on this account for the past few years.

TABLE XXVI.

Years	Revenue (in lakhs) Budget	Expenditure (in laks) Budget	Registration fee (Cos.) Budget
1903–04	1·12	·81	..
1904–05	1·18	·85	...
1905–06	1·57	·87	·01
1906–07	1·42	·85	·02
1907–08	1·47	·82	·02
1908–09	1·72	·84	...
1909–10	1·60	·83	...
1910–11	1·61	·83	·01
1911–12	1·84	·83	..
1912–13	1·77	·85	·02
1913–14	2·06	·88	·01
1914–15	2·01	·90	·01
1915–16	2·09	·92	..
1916–17	2·26	·96	·01
1917–18	2·37	1·06	·01
1918–19	2·45	1·29	·02
1919–20	3·31	1·22	·03
1920–21	3·10	1·59	·03
1921–22	3·15	1·48	·06
1922–23	3·10	1·48	·05
1923–24	2·97	1·48	·05
1924–25	3·39	1·52	·04
1925–26— (Revised)	3·50	1·50	·04
1926–27— (Budget)	3·50	1·51	·04

The recommendations of the Committee are very few on this subject, and are mostly of a general character.

(i) They suggest that the scale, wherever the rate is high on transactions of small values, should be revised so as to make it press less heavily and give as an illustration the charge in Punjab of Rs. 2 on a document conveying an interest worth Rs. 50 whereas the rate is one per cent for values between Rs. 200 and 1,000. This recommendation is not applicable to Mysore since the rate on amounts up to Rs. 100 is one per cent and documents of higher value pay a rate decreasing to about half a per cent. Thus there is not the same disparity as in Punjab nor is the initial rate so high.

(ii) They point out that all attempts to obtain increased revenue even by raising the fees or by extending the classes of documents liable to compulsory registration must be proceeded with very cautiously as the considerations involved are not entirely fiscal. The moral of this recommendation so far as Mysore is concerned, where there is already a considerable surplus from this source, seems to be to let things alone and not attempt to obtain an increase of revenue.

NEW OR ALTERNATIVE TAXES.

NEW OR ALTERNATIVE TAXES.

Under this head are to be examined the new or alternative taxes proposed by the Indian Taxation Enquiry Committee for adoption in British India. The number of taxes new to Mysore is larger, because some of the taxes which already exist in British India and which are examined by the Committee, do not obtain here. The additional or alternative taxes whose imposition in Mysore may be considered are the following:—

A. Those Already Imposed in British India Either by Government or by Local Bodies.

(1) Import and Export duties.
(2) Excise duty on petroleum.
(3) Ground rent on building land in towns, and outside villages.
(4) Entertainment tax.
(5) Betting tax.
(6) Pilgrim tax.
(7) A tax on companies.
(8) Tax on menials and domestic servants.
(9) A capitation tax.
(10) The chowkidari tax.

B. Those whose Imposition is suggested by the Committee.

(1) Duty on aerated waters.
(2) Duty on patent medicines.
(3) Tax on stock exchange transactions.
(4) Fee for registration of marriages.
(5) Duty on advertisements.
(6) Succession duties.
(7) Tax on tobacco.
(8) Tax on motor vehicles.

For purposes of the present enquiry; it is convenient to group the above in the following manner: --

(*a*) Taxes whose levy is not recommended.
(*b*) Taxes recommended for levy by local bodies.
(*c*) Taxes recommended for levy by the State.

In the first group will be considered

(1) Import and export duties
(2) Excise duty on petroleum.
(3) Capitation Tax.
(4) Duty on aerated waters.
(5) Duty on patent medicines.
(6) Tax on stock exchange transactions.
(7) Fee for registration of marriages.
(8) Chowkidari tax.
(9) Tax on menials and domestic servants.
(10) Betting tax.

Local bodies, it will be suggested, may consider the following imposts, powers being given to them to do so wherever necessary :—

(1) Entertainment tax.
(2) Pilgrim tax.
(3) Duty on advertisements.
(4) Tax on companies.

The following will then be examined as suitable additional or alternative sources of revenue to Government.

(1) Ground rent on building land.
(2) Tax on motor vehicles.
(3) Succession duties.
(4) Tax on tobacco.

Distribution of the Burden of Taxation.

Before these taxes are examined and are rejected or recommended, it is necessary to have some idea as to the distribution of the burden of taxation in the State at the present time. In fact, the question of imposing additional taxes can only be decided with reference to three sets of considerations: (1) the need for additional revenue, (2) the equity of the prevailing distribution of the burden of taxation. and (3) the technical merits of the taxes proposed. The present enquiry, like that of the Indian Taxation Enquiry Committee, is not charged with an examination of public expenditure, and the working assumption is that the taxes recommended will only be adopted as occasion may arise, should the finances of the State require it. It is only, therefore, the second of these considerations that requires some explanation before we examine the technical merits of individual taxes.

It is not necessary to explain at length why an examination of the present distribution of the burden of

taxation should form a part of the present enquiry. The starting point is an established system of taxation with its various parts, each with its own incidence, and we are to consider whether any of the taxes included in the preceding lists is suitable for imposition in the State either as an addition to the existing ones or as a substitute for one or more of them. A canon that applies to the entire system of taxation is that it should be equitable, *i.e.* bear evenly on all, and the component parts must therefore be so devised as to realise this aim. Additional taxes must accordingly maintain the existing equity or redress the prevailing inequality while alternative taxes are designedly intended to redress a felt inequality or other defect in the existing system. Therefore, it is not enough to know that a given tax is suitable in itself. It is far more important to know whether it falls on a class lightly taxed or already over-burdened, and it is a truism to say that every system of taxation is always approaching but never realising, equality of taxation, on account of changes in the yield of the tax as well as in the economic conditions of different classes and of the community as a whole.

While the importance of such a preliminary enquiry is undoubted, it does not follow that it can be made easily. The purpose of such an enquiry, *viz.*, the measurement of the burden of taxation in relation to the taxable capacity of different sections of a community is not easy to realise, as the Indian Taxation Enquiry Committee have pointed out in the early pages of Chapter XIV of the Report, and their remarks about British India apply equally to Mysore. There are no statistics either of the total income of the State or of its distribution among the members of the community. In the circumstances, all that can be done is to follow the procedure of the Committee and "select the most typical classes" and examine the incidence of the burden on them.

An attempt is also made to examine the incidence of taxation from two other points of view. Each important tax is taken and examined with regard to the chief class of population on which it falls mainly. It was also thought that a geographical distribution of the burden of taxation with a map showing the results would be instructive. So it would be, if one could get detailed figures by taluks. These are available for land revenue and excise in the administration Reports, but can not be had for other heads without much difficulty. As it is, a number

of demands for statistics were complied with only at a very late stage and even district figures in some cases have yet to come. Such results as have been obtained are, however, highly suggestive regarding the distribution of the burden between Maidan and Malnad districts.

(a) *Incidence of the principal taxes.*

(i) *Land Revenue.*—Any remarks about the incidence of this tax must be prefaced with two observations. One is that there are no figures available giving the distribution of holdings among different persons. The Season and Crop Report gives figures for holdings of by Taluks various sizes, varying from one acre or less to above 500 acres, but in many cases, the same person may hold a number of holdings in the same taluk as well as in different taluks and even districts. Another feature to be noticed is that land is also held by persons whose principal occupation is other than Agriculture. From these two facts of the situation, it follows that any conclusion regarding the burden of taxation can be only tentative. It is true, however, that agriculture is the main occupation of the largest number of those who own land, and of these, the number of those that hold only a few acres is very large. Therefore, it can be said that land revenue, which is the largest item of State income, is derived in the main from agriculturists, practically all of whom are decidedly below the income-tax level.

(ii) *Excise.*—The chief sources are arrack and toddy, foreign liquors and drugs including opium accounting only for about 5·97 lakhs (1924-25). Now, it may be said with considerable truth that toddy is the drink of the villages and arrack of the towns, and in both areas those that drink are the poorer classes, the labourers, skilled and unskilled. The revenue from toddy, amounting to more than 35 lakhs, comes mainly from the agricultural classes and that from arrack, amounting to more than 24 lakhs, from the industrial classes.

(iii) *Income and Super-tax.*—A considerable part of the income-tax, and practically the whole of the super tax, are paid by companies that have a foreign domicile, so that the burden of these taxes on the community is to be measured only by the amount paid by individuals as well as by companies whose shares are held by residents in

Mysore. The number of individuals assessed is about 5,800 and the average amount of income is about Rs. 4,900 and that of the tax is about 97 rupees. The point to note is that in relation to their means, this is the only important contribution this class makes to the resources of Government.

(iv) *Stamps.*—This again is a source of revenue that can be said to be obtained from the wealtheir section of the community, though frequently it is the property of comparatively small value that forms the subject of transaction. As land contributes both to judicial as well as non-judicial forms of stamp revenue it may be said that agricultural classes again contribute a considerable amount to State revenue.

It is not necessary to deal in detail with other receipts, mainly fees of one kind or another. As they are uniform or regressive their incidence must be heavier on the poorer sections of the community.

The above general examination of the incidence of the principal sources of revenue justifies at any rate one broad conclusion *viz.*, that the revenues of the State are for the most part derived from the agricultural classes of the country, whose income level is as a rule low.

(b) *Incidence of taxation among typical classes.*

The Indian Taxation Enquiry Committee have attempted to enumerate the principal taxes that fall on certain selected classes of the population and in two cases have estimated the burden in terms of money. It is proposed to adopt the same procedure here, but it has not been found possible except in a fragmentary manner to estimate the money value of the burden of taxation in any case.

(i) *Urban labourers, including the lower grades of urban artisans.*—So far as State taxation is concerned, the principal contribution of this class is to the excise revenue. It has been already suggested that arrack is principally consumed in the towns by labourers and artisans, and if we take the population of the 107 towns with a population of more than 2000 inhabitants as the principal supporters of the arrack trade the incidence per head is Rs. 3-9-3. There is however, the consideration that a considerable number of town dwellers do not drink, against

which must be set the sale of arrack outside these towns, so that if these two factors are taken to set off each other, (which can be done only with reservation pending an enquiry into the number of arrack shops outside towns), the incidence on the labourers given above may be taken as approximately correct.

All these towns are not municipal areas, but 104 of them are, and the incidence of municipal rates and taxes (exclusive of fees etc.) varies from town to town. In the Cities, it is Rs. 3-12-6 for Bangalore and Rs. 2-15-9 for Mysore. Nine large municipalities give an average of Rs. 2-6-0 and the smaller ones of Rs. 1-2-0.

(ii) *The landless agricultural labourers and the lower grades of villge artisans.*---This class contributes towards the revenue from toddy, and the average per head for *all* rural population comes to Rs. 0-11-6, but obviously this class consumes the largest quantity, and the incidence would be much higher than this figure suggests. There are no municipal dues to pay, but the artisans are liable to pay mohatarfa.

(iii) *The small-holder, whether raiyat or tenant.*—It has been suggested above that small holders working on their own are a numerous class. It appears that this class is bearing heavy burdens. Land revenue is raised on their holdings, as well as the different cesses, amounting in all in some districts to about 25 per cent of the Land Revenue. To the extent that the small-holder has a taste for toddy or arrack, he also contributes towards the excise revenue. A mere tenant would, of course, not pay either land revenue or the cesses, and his position would be practically equivalant to that of the landless labourer.

(iv *The peasant proprietor with a substantial holding.*—As in the case of the raiyat landholder, he is liable to pay all the dues from land, but his position is decidedly better as the amount left to him is larger. Higher prices for his produce are not set off by a corresponding increase in land revenue, but his expenses have no doubt increased, specially in wages. There is no doubt that this class supplies an appreciable part of the income from court fees. Probably his position is on the whole satisfactory.

(v) *The large landholder.*— The Indian Taxation Enquiry Committee suggest that this class of persons on the whole is lightest taxed. The land assessment becomes regressive being a flat rate and leaves a larger surplus as

the amount of land held becomes greater. Except court fees, it is difficult to suggest if this class contributes anything to State revenue, and land assessment being an old tax may be considered to have been amortised, and thus not form a burden on those who have turned to land as an investment. It has been pointed out before that no figures exist for estimating the numerical strength of this class. It is doubtful if there are more than a thousand persons in the State paying an assessment of Rs. 500 and more, which is taken as corresponding to the level of minimum income liable to income-tax.

(vi) *The village trader.*—The Indian Taxation Enquiry Committee point out that in British India this class of persons on the whole gets off lightly since they only pay the general taxes which the daily labourer pays. In Mysore this would mean excise, but the village trader does not as a rule drink, and is liable to no profession tax. Under the new Village Panchayet, he will be liable to house-tax, which he is paying now as Mohatarfa.

(vii) *The small trader in towns.*—So far as provincial taxation is concerned, he is in a favourable position, such taxes as he pays being only municipal taxes.

(viii) *The large trader generally in towns*—He is liable to the income-tax, and contributes also to some extent to the revenue from stamps.

(ix) *The big merchants.*—This class includes the proprietors, partners and managers of large businesses, which are few in the State. It contributes very considerably to income-tax revenue.

(x) *The professional class of the lower grades.*—Taking this class to include only those below the income-tax level, it is difficult to see in what manner they contribute to State finances. Of course, like all the above classes in towns they contribute towards municipal revenue, but in proportion to their income, the burden cannot be said to be large.

(xi) *The professional classes-the higher grades.*—Along with the big merchants, they are the chief contributors to the income-tax.

Imperial Taxation.

The obvious conclusion that the above sketchy survey brings out is that certain classes like small traders the lower grades of the professional classes contribute nothing

to State revenue, since the chief sources of revenue like land assessment and excise duties on liquors do not touch them, while they are not affected on the other side by the income-tax. In any State with a fully articulated system of taxation, the obvious method of taxing such classes would be that of taxes on commodities. Absence of such taxes on staples of consumption means both a loss of revenue and an inequitable system of taxation. Such an anomaly requires to be explained, and the explanation is that in Mysore such taxes are as a matter of fact raised, not by the State, but by the Imperial Government in the shape of the excise duty on salt as well as a comprehensive customs tariff. The classes mentioned above contribute to the Imperial Revenue by way of the salt duty and customs, though, of course, the incidence of these duties cannot be considered altogether adequate in comparison with the payments made by classes like labourers and small landholders, who, it must be noted, contribute out of their incomes towards land revenue and excise as well as towards salt revenue and Imperial Customs.

No examination of the taxable capacity of the people or of the distribution of the burden of taxation, therefore, can be said to be complete which does not take into account the large contributions made to Imperial revenue in varying amounts by all classes of the people of the State. It is obviously impossible in connection with the present enquiry to do more than note this important factor, but it is necessary that the subject should be carefully investigated from two points of view:—

(i) Total contribution to Imperial revenue by the people of the State.

(ii) Variations in the incidence of the Imperial taxes on different sections of the community.

For the purpose of the present context, it is sufficient to draw attention to the following main conclusions:—

(1) The taxes of the State fall in the main on labourers, urban and rural, and small landholders and peasant proprietors.

(2) The comparatively wealthy persons consist of large holders, *viz.*, big merchants and the upper grades of the professional classes. Their contributions are in the shape of land revenue and income-tax. This class may be said to be comparatively under-taxed, but it should be noted that the group does not probably consist of more than 7,000-7,500 persons.

(3) Classes like small traders in villages and towns, and the lower grades of the professional classess contribute practically nothing

to State funds, and the only taxes they pay are the Imperial Government and to Municipalities.

(4) The absence of indirect taxes, other than the excise duties on intoxicating liquors and drugs would suggest untapped taxable capacity, but the Imperial Government is already levying them. Calculations based on an all India average would suggest that Mysore is taxed to the extent of 85-90 lakhs of rupees by means of customs and salt duties, but the subject requires more detailed investigation.

(c) *Distribution of the burden of taxation by Districts.*

We may now turn to the third aspect of the distribution of taxation, *viz*, geographical.

The accompanying tables relating to incidence of taxation have been prepared in order to bring out the distribution of taxation among the different parts of the State. Only the main items have been taken; foremost revenue has been omitted as it can hardly be considered as derived from taxation (though sandalwood monopoly may justify that interpretation also) and departmental receipts were excluded, partly because it was felt that their exculsion would not affect the results in any case.

TABLE XXVII.

Incidence of Taxation. (Provincial Revenues). Total Revenue (District).

Details of Revenue Collections (1924-25)

Names of districts	Population (as per Census of 1921)	Excise (as per Administration Report)	Net area cropped (as per Season and Crop Report)	Land Revenue (Season and Crop Report)	Judicial stamps	Non-Judicial stamps	Registration fees	(a) Income-tax for 1925-26	District-war per capita incidence
		Rs.	Acres.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bangalore (city included)	9,06,935	17,25,865	7,19,382	14,49,387	2,86,122	1,72,248	70,669	2,53,870	39,58,161 4 5 10
Kolar (K. G. F. included)	7,92,339	9,28,563	5,83,615	14,86,616	1,08,909	74,763	29,708	92,751	27,21,810 3 7 0
Tumkur	7,73,122	5,82 977	8,99,620	16,11,493	1,23,069	79,575	33,717	27,974	24,58 805 3 3 0
Mysore (city included)	14,03,319	13,20,715	13,45,874	19,08,888	3,00,837	2,42,598	1,14,532	1,19,686	40,07,256 2 13 0
Chitaldrug	5,74,179	6,35,222	11,44,492	8,88,161	79,946	65,542	24,099	44,688	17,37,858 3 0 5
Hassan	5,83,960	5,44,821	6,35,879	14,36,945	96,871	75,444	32,255	22,636	22,08,972 3 12 6
Kadur	3,33,538	5,21,822	4,14,214	10,51,803	51,003	51,270	18,687	39,005	17,33,590 5 3 2
Shimoga	4,92,560	6,15,962	5,85,057	14,39,780	1,11,490	52,064	19,598	36,894	22,75,788 4 9 10
Total ...	58,59,952	69,34,566	62,28,133	1,12,73,073	11,58,247	8,13,504	3,43,265	6,37,704	Provincial. 2,11,60,359
Per Capita incidence under each head of Revenue for the Province.	...	1 3 0	1 13 0 (Land Revenue Incidence with reference to area cropped).	1 14 9	0 3 2	0 2 3	0 0 11	0 1 9	3 9 9

(a) Income-tax.—Revenue taken for the year 1925-26 as furnished by the Deputy Commissioner of Income-tax: tax deducted at source on salaries and interest on Government securities added to those figures (as found in the Revenue and Finance Accounts.)

In respect of other sources of revenue, figures found in the Departmental Administration Reports for 1924-25 are taken: in the case of land Revenue figures are taken from the Season and Crop Report.

Collections of Revenue are taken into consideration in framing the above Table.

TABLE XXVIII.

INCIDENCE OF TAXATION (TAX REVENUE DERIVED BY LOCAL BODIES).

Capital Receipts excluded.

Name of Districts	Population (as per Census in 1921)	District Boards	Taluk Boards	Union Panchayats	Municipalities	Total Local Revenue	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Bangalore District	7,88,379	2,60,625	83,007	27,816	66,973	4,38,421	City Municipality excluded.
Bangalore City	1,18,556	...	...	...	5,73,344	5,73,344	
City and District	9,06,935	2,60,625	83,007	27,816	6,40,317	10,11,765	Inclusive of City Municipality.
Kolar District	7,01,657	1,90,056	85,550	20,990	1,01,181	3,97,777	K. G. F. Special area excluded.
K. G. F. Sanitary Board ...	87,682	87,754	...	...	...	87,754	
Kolar and K. G. F. area ...	7,92,839	2,77,810	85,550	20,990	1,01,181	4,85,531	Inclusive of Sepcial Area.
Tumkur District	7,75,122	2,30,183	81,845	25,386	1,05,267	4,42,681	
Mysore District	13,19,368	2,45,001	91,719	27,554	1,08,377	4,72,651	City Municipality excluded.
City	83,951	...	...	...	3,18,868	3,18,868	
City and District	14,03,319	2,45,001	91,719	27,554	4,27,245	7,91,519	Inclusive of City Municipality.
Hassan*	5,83,960	1,60,625	70,725	9,624	91,859	3,32,833	* Full details not given.
Shimoga	4,92,560	1,96,782	59,316	17,227	1,09,478	3,82,803	
Kadur	3,33,538	1,24,745	44,722	8,450	1,14,888	2,92,800	
Chitaldrug	5,74,179	2,35,958	No figures	40,372	1,57,621	4,33,951	
Total ...	55,69,763	16,43,975	5,16,884	1,77,419	8,55,639	31,93.917	Cities and Special area excluded
	2,90,189	87,754	...	...	8,92,212	9,79,966	Cities and Special Area.
Provincial ...	58,59,952	17,31,729	5,16,884	1,77,419	17,57,951	41,73,985	

Revenue includes all receipts excluding those under Public Debt heads (advances, deposits, investments), Grants and Contributions and Interest on investments,—Fees, fines and miscellaneous receipts included.

Revenue derived by local bodies in 1924-25.—
Municipalities (city, town and minor), District Boards, Taluk Boards, Union Panchayets included.

TABLE XXIX.

INCIDENCE OF TAXATION (TAX REVENUE DERIVED BY LOCAL BODIES).

Names of Districts	Population (as per Census in 1921)	District Boards	Taluk Boards	Union Panchayets	Municipalities	Total Local Revenue (Tax)	
		Rs.	Rs.	Rs.	Rs.	Rs.	
Bangalore District	7,88,379	2,34,838	54,639	19,829	55.621	3,64,927	City Municipality excluded.
Bangalore City	1,18,556	...	...	...	4,51,313	4,51,313	
City and District	9,06,935	2,34,838	54,639	19,829	5,06,934	8,26,340	Inclusive of City Municipality.
Kolar	7,04,657	1,64,502	76,859	16,411	61,335	3,19,107	K. G. F. special area excluded.
K. G. F. Sanitary Board... ...	87,682	26,500	...	...	...	26,500	
Kolar and K. G. F. Area... ...	7,92,339	1,91,002	...	...	...	3,45,607	Inclusive of Special area.
Tumkur District	7,73,122	2,11,179	78,770	19,399	84,842	3,94,190	
Mysore District	13,19,368	2,08,300	85,073	23,240	95,012	4,11,625	City Municipality excluded.
City	83,951	..	...	...	2,50,745	2,50,745	
City and District	14,03,319	2,08,300	85,073	23,240	3,45,757	6,62,370	Inclusive of City.
Hassan*	5,83,960	1,43,849	70,725	8,076	61,490	2,84,140	Full details not given for classification.
Shimoga	4,92,560	1,72,193	48,630	14,029	87,735	3,22,587	
Kadur	3,33,538	1,17,037	41,628	5,599	84,316	2,48,580	
Citaldrug	5,74,179	2,12,146	No figures	21,888	1,24,887	3,58,921	
Total ...	55,69,763	14,64,014	4,56,324	1,28,471	6,55,228	27,04,077	Cities and Special area excluded
	2,90,189	26,500	...	...	7,02,058	7,28,558	Cities and Special area.
Provincial ...	58,59,952	14,90,544	4,56,324	1,28,471	13,57,296	34,32,635	

Revenue includes purely tax revenue raised by the several local bodies. Taluk and District Boards-excludes receipts under fees, fines and miscellaneous and Drinking Water Wells Fund Adjustment.

Union Panchayets—Revenue under House Tax (cattle pounds excluded.)

Municipalities—Rates and Taxes only included.

*Revenue derived by local bodies in 1924-25.—Municipalities (city, town and minor), District Boards, Taluk Boards, Union Panchayets included.

TABLE XXX.

INCIDENCE OF TAXATION.

Per capita figures (based on population).

Revenue figures for 1924-25.

—	Contributions towards provincial Revenue *Vide* statement for details	Revenue of local bodies	
		Pure tax revenue *Vide* statement for details	Revenue including fees, fines and miscellaneous items *Vide* statement for details
	Rs. a. p.	Rs. a. p.	Rs. a. p.
	...	0 7 5 (exclusive of City Municipality)	0 8 11
Bangalore District	4 5 10	0 14 5 (includes City Municipality)	1 1 10
Do City	...	3 12 6 (Bangalore City only).	4 13 5 Municipality
Kolar District	3 7 0 (population of K. G. F. area included)	0 7 3 (exclusive of special area K.G.F.)	0 9 0 *i.e.*
K.G.F. Sanitary board area ...		(includes Special Sanitary Board area.	
(District board area)	...	0 7 0 (Special Sanitary Board area only).	0 9 10
		0 4 10	1 0 0
Tumkur District	3 3 0	0 8 2	0 9 2
Mysore Do	2 13 0	0 5 0 (exclusive of City Municipality)	0 5 9
		0 7 7 (includes City Municipality)	0 9 0
		2 15 9 (Mysore City Municipality only)	3 12 9
Hassan do	3 12 6	0 7 9	0 9 1
Shimoga do	4 9 10	0 10 6	0 12 5
Kadur do	5 3 2	0 11 11	0 14 1
Chitaldrug do	3 0 5	0 10 0	0 12 0
Provincial Total ...	3 9 9	0 7 9	0 9 2
		(exclusive of City Municipalities and Special Sanitary Board area.)	
		0 9 4 (includes City municipalities and Special Sanitary Board area)	0 11 5
		(City Municipalities and Special Sanitary Board area only).	
		2 8 2	3 6 0

The tables must be used with several reservations. The first of these is that it includes no figures of the income of the districts, so that the fact that a district shows a larger per-head taxation is no necessary indication that it is heavier taxed than others. Another is that a district may have a large migratory population, so that the amount of taxation divided by the census figures of

population gives an altogether misleading impression as to the number of persons from whose incomes the taxes are obtained.

Some of the features in the table to which attention may be drawn subject to the above caution are:—

(i) The heavy taxation per head in Kadur and Shimoga.

This may be explained in part by the migratory character of the labour supply and partly by the large proportion of wet cultivation.

(ii) The surprisingly low rate for Mysore, which is the lowest in the province.

Here the one explanation is the density of population, which reduces the land revenue average to about Rs. 1-4-0 where as it is more than Rs. 2 in every other district. At the same time, the assessment per acre is also considerably lower than for, *e.g.*, in Kolar although wet cultivation is greater in Mysore.

(iii) Two districts Mysore and Bangalore, account for a greater part of income tax (from persons) and stamps, as well as excise.

In the light of the preceding discussion, we may now proceed to examine the suitability and desirability of imposing in the State some of the taxes mentioned at the commencement of the section.

I. Taxes whose levy is not Recommended.

At the outset, we may dismiss briefly some of the taxes as unsuitable and undesirable or not feasible. Among those are the following:—

(1) *Import and Export duties.*—The levy of these duties raises not merely economic but also political issues. In any case import duties are hardly desirable since the citizens of the State are already taxed by the Imperial Government. Export duties stand on a different footing, but except sandal wood and supari and one or two minor forest products, there are no suitable subjects. Sandal wood is a State monopoly and may be considered to be yielding the maximum revenue, and the export duty on supari, the sole survivor of the class was abolished some years ago and its revival is likely to cause much discontent in the Malnad Districts,

(2) *Excise duty on petroleum.*—An excise duty is already levied in British India, and an additional levy in Mysore would be open to the objection that the price of

petrol would be further raised. It is proposed to levy a tax on cars, and it is not desirable to tax the growing motor traffic in more than one direction

(3) *Capitation tax.*—This is a primitive form of income tax and it is practically discorded or where it remains on the statute book, is practically not levied at all except in countries like Persia, China etc., as well as in some parts of the British Empire. There are local varieties of it in Assam and Burma. It is not considered necessary to explain at length the undesirability as well as the inexpediency of this tax.

(4) *Duty on aerated waters.*—This is one of the new Excise duties recommended by the Indian Taxation Enquiry Committee, who suggest that it can be collected in the form of a tax on cylinders of carbonic acid gas issued for this purpose. So far as the State is concerned, it is not likely to be a source of much revenue, and that consideration should be decisive.

(5) *Duty on patent Medicines.*—This will be even less productive than the above, as there are not many patent medicines of local manufacture. Most of the patent medicines used in the State are imported from abroad and a few from British India.

(6) *Tax on Stock and Produce Exchange transactions.*—There are no such transactions in the State.

(7) *Fee for the registration of marriages.*—The recommendations of the Committee are cautious and tentative, and it is very doubtful if local conditions are favourable. However, the city municipalities may try a variant of it in the shape of a license fee for marriage processions of any kind.

(8) *Chowkidari tax.*—This is a tax in rural areas in some part of British India, the abolition of which is being considered.

(9) *Tax on menials and domestic servants.*—Apart from its low productivity, it may affect the wages of labour. Its levy, may, however, be considered in places like Bangalore in the case of visitors as a substitute for the house tax.

(10) *Betting tax.*—There is not much scope for it in the State as betting is confined to the two race-courses, where conditions are different from those in British India. In any case the yield would be very small.

II. Taxes that may be imposed by municipalities and other local bodies.

(1) *Entertainment tax.*—Such a tax has been imposed in Bengal and Bombay. "The tax consists of a simple levy on tickets of admission to the places of entertainment, at the rate of approximately 25 per cent. The operation of the Acts is confined to centres where organised entertainments are common and they are actually in force in certain municipal towns." There is not the slightest doubt that the tax is very suitable, and it is not at all likely that it can be transferred to any large extent to the proprietors of the places of entertainments unless these have formed a ring and are exacting a monopoly revenue.

The Committee are of opinion that "the powers to levy the tax and the administration of it should be retained in the hands of (local) Government, among other reasons, because the tax involves possibilities of introducing class taxation." It is not very clear what is meant by this, but in Mysore it is only in the larger municipal areas that the tax is likely to be productive, and it is not very likely that a large number of persons will be attracted from outside the limits. It is preeminently suited to municipal needs, and it is quite possible to insert in the authorising Regulation necessary provisions which will prevent any misuse of the privilege.

It is worth stating that the revenue from this tax in Bombay and Bengal during 1924-25 amounted to Rs. 9,09,161 and Rs. 7,16,865 respectively.

(2) *Pilgrim tax.*—This is fairly common in British India, and is a source of considerable revenue to the places concerned. It is levied on the shape of an addition to the fare charged for the railway ticket. The only places of pilgrimage of any importance that are reached by railway are Nunjangud and Seringapatam and the number of passengers that alighted at these stations in 1925-26 was 1,73,282 and 1,01,044 respectively. Melkote is another place of pilgrimage, but the tax would have to be collected at the entrance to the municipality.

While there is no doubt that sanitary and other arrangements a municipality has to make for the floating population justifies such a tax, it is possible that sentiment may stand in the way. In any case it is not a tax that more than a few municipalities can take advantage of.

Further, in the case of a place like Melkote reached by road, the proceeds of the tax will have to be shared with District Board that is responsible for the upkeep of the road used by pilgrims. The Bombay Municipal Act makes specific provision to the effect that any taxes imposed by a Municipality upon pilgrims resortiug to a shrine witbin municipal limits should be assigned in part to the District or Taluk Local Board to be expended on works conducive to the health, convenience and safety of the said pilgrims.

(3) *Duty on advertisements.*—"It may take the form of a tax on posters and other forms of displayed advertisement, or of a tax on newspapers advertisements or both. The former is usually levied through a stamp affixed to the poster, and the latter on the basis of returns of revenue from advertising submitted by newspapers at regular intervals." Apart from the theoretical objection that the tax would hamper a necessary and developing adjunct of trade in India the Committee consider that the tax on newspaper advertisements would bring little revenue in British India. That certainly would be true of Mysore, but if the municipalities in the larger towns are to adopt the tax on posters, etc., as suggested by the Committee, there is no reason why it should not be accompanied by a tax on newspapers advertisements, when these refer to the same events or goods.

(4) *A tax on companies.*—This is a complement to the tax on professions which can be levied by municipalities and other local bodies. It may be assessed either on the paid-up capital or on the gross or net income of the company. Difficulties will arise when a company has only a branch or works through an agent with no fixed office, but it is not impossible to get at the amount of income earnt through the branch or the agent.

III. Taxes recommended for levy by Government.

We come now by a process of exhaustion to a residium of only four taxes, the levy of which can be considered for purposes of State finance, and these are, a ground-rent on building land, a tax on tobacco, a tax on motor vehicles, and succession duties. There are one or two taxes which the Indian Taxation Enquiry Committee considered and rejected, such as a tax on railway tickets, and subjection of agricultural incomes to income-tax. The latter of these has been discussed in the section on

Income-tax. A tax on railway tickets may be considered either as a tax on transport or as a variant of the capitation tax. The obvious objection to its levy in Mysore is that, since it can be levied only in respect of passengers between stations on the State railway, it amounts to a rise in fares. Recently fares have been reduced, and this would be merely a cancellation in part of the reduction made.

The four taxes to be recommended will now be examined in some detail.

(*a*) A GROUND RENT ON BUILDING LAND.

Reference has already been made to this topic in an earlier section, *viz.*, Land Revenue, but the subject deserves separate treatment, since although there is statutory provision for higher assessment of land diverted from agricultural to non-agricultural use, in practice, after a fine has been levied, no further demand is made by Government.

Of the three classes of land used for purposes other than agriculture, lands within the limits of villages may be disposed of briefly. The present position in the State is that a tax on houses as well as on hittals and vacant sites is levied by Government in villages not brought under the charge of a Village Panchayet, exemption being granted in the cases of houses occupied by landholders and purely agricultural raiyats. Gradually with the constitution of Village Panchayets under the Regulation of 1926, not only will this source of Government revenue disappear, but all houses and hittals in a village will become liable to taxation by the Village Panchayet.

We are left with the two other classes of land, *viz*, lands outside the limits of villages or towns, and lands within the limits of towns. It is evident that the most likely non-agricultural use of the former class of lands will be as factory sites. The Indian Taxation Enquiry Committee point out that "in Bombay and Central Provinces there is a distinct provision in the law for the reassessment of land assessed to land revenue for agricultural purposes if it is converted to any other use, and a reasonable share of the annual value of the land used for purposes other than agricultural is taken." In some other Provinces, either as in Burma" a share is taken on behalf of Government only when a crop is grown, and land built upon is treated as if it were fallow, "as in Madras, though there is no

statutory provision for the assessment of such land to land revenue." " the demand by the State is made in virtue of the King's prerogative to collect a share of the produce. it has been held that legally the share of the produce so taken cannot exceed the produce itself, and that produce must for historical reasons be regarded as agricultural produce." Consequently, the most that can be taken is the assessment fixed on the land as if it were being used for agricultural purposes." The Committee note that " the matter is one which is likely to be of increasing importance as the industrialisation of the country proceeds," and suggest the adoption of the Bombay practice. It is interesting to note in this connection that in Bombay lands on which serveral large mills are built were leased in 1879 on what is called " toka " tenure. The assessment was fixed at the rate of one pie per sq. yd. per annum for 50 years and the lands become liable to reassessment in 1929 and some idea of the increase in value of land can be obtained from the proposal to raise the assessment from the present amount of Rs. 573 to Rs. 1,12,770.

These are important considerations to bear in mind when agricultural land is converted into industrial uses outside towns and villages, but such conversion is not yet on any considerable scale and it should also be noted that there is a provision for a fine equivalent to the assessment for a period of years, higher amounts being fixed in the case of land in special areas. (See Appendix F.) It is interesting to note also that our industrialists are of opinion that, in view of the nascent state of industrialisation in the State, factory sites should be exempted from such fines. There is, of course, no justification for such exemption. On the contrary, the State should reserve to itself the right of levying a fair ground rent in addition to any initial fines. which need however, be fixed in terms of assessment for a given period. It cannot, however, be said that this is likely to be a large source of revenue.

We now come to building lands in towns. Here it is necessary to distinguish between different classes of land.

(1) Land already converted into building land by payment of a fine or by purchase from the municipality.

Part of it may carry buildings and part may be lying vacant.

(2) Agricultural land in private occupancy within the limits of the town [or brought within them] which may be sought to be converted to building purposes.

(3) State land, which may be within municipal limits or brought within it for building purposes.

The first group of lands is subject to municipal taxation, and at least in the case of land converted into building land after the Land Revenue Code was promulgated, has probabaly also paid a fine in terms of its assessment when in agricultural use. The question for consideration is whether any additional payment can be obtained from this class of land. It is obvious that with every extension of the town, with obvious exceptions, the older sites increase in value, which will be due only in part to the improvements effected by the owner. The situation calls, therefore, for some practicable method of taxing this unearned increment. The Indian Taxation Enquiry Committee's recommendations in this matter are that an accurate valuation sholud be made of all land in towns concerned. "No attempt should be made to eliminate the value due topast improvements, but an account should be maintained of improvements effected in the future, and the values attributable to such improvements should be deducted from the value on which the increment duty is levied." The Committee point out that "these processes require the services of expert valuers," so that if the duty is to be municipal, it will have to be confined to a large municipality like Bangalore. There is no doubt that a large unearned increment escapes taxation, since the house tax at 5 per cent can hardly be said to be adequate for the purpose. It is true the English Land Valuation Scheme broke down, but that was because it attempted too much in separating the value of land from that of the past improvements, whereas it is far simpler to start with the existing value of the entire site and appraise the increase in it after the lapse of a given period of years.

The case of the other groups is different. If agricultural land is sought to be converted into non-agricultural use, either the old assessment should continue or a higher rate may be fixed as is already provided in the Code, in addition to any reasonable fine, corresponding to contribution in the case of lands brought under wet cultivation.

It is interesting to note the practice in British India, which however, is not uniform. In the United Provinces, in the towns land continues to be assessed as agricultural land for one settlement after the construction of the house or building, for the next settlement, it is exempt from assessment. This corresponds to our system of fines for a period of years, though of course, the amount

obtained from lands built upon successively nearer the settlement gets reduced. In Madras, a ground-rent is collected from all building lands in Municipalities other than in the City of Madras (where a mixture of tenures obtains owing to historical causes), and any fresh land sold by Government is sold subject to a ground-rent fixed by the Collector. The permissible rates vary from Rs. 12-8-0 to Rs. 500 per acre, according to the situation of the land. The Municipalities are credited with an amount equivalent between the difference between the amount collected and an assumed rate of the land revenue which was till recently Rs. 12-8-0, reduced by a Government Order in April of this year to Rs. 6-4-0. While the Government in Madras collects its share of the increased value of land in the form of ground-rent, the price for occupancy right being proportionately low, in Bombay the practice is to levy a fine or premium as well as to raise the assessment.

The latter part of the above paragraph also suggests the measures to be taken in connection with Government land converted into building land. Government should retain its rights as landlord, and obtain for itself a share of the increased value, both capital and annual.

These recommendations are based on the doctrine that "land as the chief instrument of production is ultimately the property of the community" and while their equity requires no reinforcement, it is not certain if the levies will add considerably to the resources of the State. For one thing a great part of building land cannot be taxed to provincial revenue on the lines suggested, the permission to build having been given under the existing rules in operation. Further, any duty on unearned increments will go to Municipalities, who have helped to create them. Agricultural assessment in town areas is a comparatively small amount and the extension of towns by sale of Government lands must be a slow process, so that the recommendations are richer in potentialities than in immediate realisation of additional revenue. Their leading merit, is they stop effectively any augmentation of the existing inequalities in the taxation of land.

(*b*) A Tax on motor vehicles.

Motor vehicles are both a common means of transport as well as a form of luxury. Viewed as a form of luxury

they are obviously a suitable subject for taxation. Any reluctance to tax the large vehicles, the buses, is easily overcome when it is realised that our roads have not been made for such heavy traffic, which can legitimately be called upon to contribute to the upkeep of the roads. Nothing should be indeed done to hamper the development of this form of transport, on which depends the progress of our rural areas, but a moderate tax per vehicle, specially when it spares the vexatious tolls, can hardly be considered to be unfavourable to the interests of those that travel in such vehicles.

The present position in the State is as follows :—

Up to the beginning of May of this year, 791 motor cars, 311 motor cycles and 670 motor buses were registered in the State. The following fees for registration are charged once for all.

Rupees four for motor cycles below 3½ H. P., Rs. 8 for all other motor cycles and motor cycles with side cars; Rs. 16 for all other motor vehicles except heavy motor vehicles which are charged Rs. 32.

Municipalities levy a tax on such vehicles that are housed in their jurisidiction, while tolls are collected by Municipalities and District Boards. Obviously, the Municipalities that obtain appreciable amounts by taxation of motor cars are those of Cities of Mysore and Bangalore. It has been ascertained that the latter derives a revenue of about Rs. 5,500—6,500 per annum from this source, while the former gets a revenue of Rs. 3,500—3,600 per annum.

Motor buses are subject to a further payment. According to the Government Order No. P. 3015.—Legis. 21-77-10, dated 11th December 1924, they are liable to the following payments from 1st January 1925.

"(i) Every motor vehicle which is let, or plies for hire shall be registered annually. The fee payable for renewal of registration of such motor vehicles shall be half the fee for the first registration. (The fee is Rs. 32 for heavy vehicles.)

(ii) The motor vehicles which are intended to be let or to ply in any local area or along any public road shall further take annually a permit.

(iii) The fee for such permits shall be levied on the basis of the number of miles to be traversed by the vehicles permitted during the period of the permit, calculated at not more than 1½ pies per mile per day in the case of ordinary motor vehicles, at 3 pies per mile per day in the case of heavy motor vehicles. The minimum fee leviable for such permit shall however, be not less than Rs. 50 per annum."

It is also provided that "the amount of fees recovered in respect of such permits shall be apportioned between the respective local

authorities and the Government in proportion to the estimated number of miles, the permitted vehicle would cover within their respective jurisdictions."

It is understood that the receipts from this levy amounted in the first eight months of 1926-27 to Rs. 43,826 in respect of five districts for which figures were available.

The Indian Taxation Enquiry Committee have recommended that the tolls should be done away so far as motor vehicles are concerned, a provincial tax being imposed instead. The hope they expressed of a reduction in the import duties in motor vehicles and supplies has been realised in the last Imperial budget, and the price of petrol has also become lower. There is a decided diminution both in the initial cost as well as in the maintenance charges of motor vehicles, and the time is, therefore, highly propitious for inaugerating in the State the reform suggested by the Indian Taxation Enquiry Committee.

It may be pointed out that there is already in Punjab a Motor Taxation Act, under which a revenue of 2 lakhs was obtained in 1925-26, the budget estimate for the current year being 3 lakhs. A Committee appointed in Bengal has just reported in favour of a provincial tax on motor cars, abolition of tolls and municipal taxation in return for suitable compensation.

It is, therefore, proposed that :—

(*i*) Municipal taxation of motor vehicles, and levy of tolls from such vehicles in all parts of the State should be abolished.

(*ii*) Taxes should be levied from such vehicles at an average rate of Rs. 30 from motor-cycles, of Rs. 80 from cars and Rs. 100 from heavy motor vehicles. (It will be necessary to vary the rate according to the weight and horse power. These details will have to be settled by technical experts.)

(*iii*) Local bodies should receive compensation to the extent of the revenue they would have got but for the abolition of the tolls and local taxes on motor vehicles.

(*iv*) The registration fee Rs. 32 (and Rs. 16 for renewal) now paid by heavy motor vehicles should be merged in the above taxes.

(*v*) Also *all* buses etc., plying in Mysore territory should be required to be registered in Mysore to obtain immunity from tolls and municipal charges.

It is believed that quite an appreciable sum will be obtained for the State. It is no doubt true that all the vehicles registered may not be running, but it is equally true that the recent reduction in costs will stimulate motor transit. It will not be an over estimate if for the next year

or two, the number of running buses is taken at 750, that of cars at 1,000 and of cycles at 400. This should give a revenue of—

		Rs.
750 x 100		75,000
1,000 x 80		80,000
400 x 30		12,000
	Total ...	1,67,000
	say Rs.	1,65,000
Deduct compensation to local bodies for loss of tolls and tax on vehicles and amount already received as registration fee from heavy motor vehicles.		25,000
	Balance ...	1,40,000

One point is worth passing notice. A number of cars come into the State from British India, and obviously the abolition of tolls cannot apply to them but the toll-gate keepers will have much difficulty in distinguishing cars of the State from others, unless some device is employed to help them. This may take the form of a pass with a local picture or the number plate may be devised in some peculiar manner. Thus the number may be required to be given in Kannada, or on registration, a number plate of a special design may be sold to the owner of the car, the possession of which alone will give him immunity from tolls.

(*c*) Succession duties.

A tax on the property that passed by inheritance or bequest is well nigh universal, and even India furnishes a few examples in Bikanir and other States. One of the most important proposals of the Indian Taxation Enquiry Committee is that these death duties, as they are called, should be levied in British India by an extension of the existing Probate duties beyond their present restricted field of operation. It is suggested that the duties in the form recommended by the Committee should be levied in Mysore also as an appropriate method of taxing those who are at present taxed comparatively lightly.

It is not necessary to explain at length the justification for such duties. A very elaborate and learned note on the subject is available in the Volume of Appendices to

the Report of the Indian Taxation Enquiry Committee and it will suffice if the salient points are mentioned and completed by a reference to local conditions.

The equity of succession duties consists in two things; the first is that the right to inheritance is a creature of the Law. As Sir William Harcourt puts it, "nature gives a man no power over his earthly goods beyond the term of his life, what power he possesses to prolong his will after his death, the right of the dead man to dispose of his property, is a pure creation of the Law, and the State has a right to prescribe the conditions and the limitations under which the power shall be exercised." This legal justification is supplemented by economic considerations. The fundamental canon of taxation is taxation according to ability, and property, specially inherited property, is a very fair index of ability. The person whose wealth is increased by the death of a relative can be called upon to contribute a share of his increased possessions to the upkeep of public service, and the larger the amount thus obtained, and the more remote the expectation of getting it, the higher should be the rate of contribution. Hence we find in most countries not only the levy of these succession duties but also the rates are progressive, both as regards the amount as well as in regard to the relationship of the inheritor to the deceased person, remoteness of relationship involving a higher rate of levy.

In India, there is only a system of duties on probates and letters of administration for the grant of succession certificates. The range of operation of either is very limited, as has been pointed out by the Committee. Only in the case of a few communities is the payment of these duties necessary. "The estates of all Mahammadans who die testate or intestate, the estate of all Hindus and Indian Christians who die intestate and the estate of all Hindus who die leaving wills not falling within the scope of the Hindus Wills Act need pay no duty, unless the parties themselves apply for and obtain probate or letters of administration."

Not only are the existing duties, therefore, inequitable in their incidence, but the class that escapes such taxation is also one that is preeminently a subject for additional taxation. The Committee have drawn attention to the fact that "the large landlords, many of whom are creations of the British Government form one of the

classes who pay a comparatively small part of their surplus towards the upkeep of the State", and suggested that a death duty would serve to introduce an element of progression in the revenue raised from land. Therefore, the existing probate duties must be so modified as to cover the property of all classes, particularly of all large landlords.

Another objection to the present probate and other duties is that there is no exemption limit, so that the duties weigh heavily on the poorer classes. Therefore, what is wanted is a system of duties of general application but with an exemption limit so that only property equal to, and above a given value is subjected to taxation.

Several objections have been raised against the levy of succession duties in India. The most important of these is the one based on the existing laws of succession among Hindus. The argument is that there is no succession such as would give occasion for the levy of death duties. It is not necessary to examine this argument, and it is sufficient for our present purpose to note that competent authorities hold that "a coparcener has an interest in Joint-family property, which interest is capable of valuation", and that it is possible to ascertain the share of the deceased "as though the partition had taken place before his death."

Other objections relate to such matters of detail as difficulties involved in making allowances for debts, maintenance and other claims, ascertainment of the value of life interests, claims of self-acquisition, etc. These are matters which admit of a solution as the note above referred to shows and in any case, are best considered at a later stage by the legal advisers of Government.

There are also objections of a general character which may be considered here :—

(i) The duties will add to the burden on the landholding classes.

The answer is that in the first place, it is only property beyond a certain minimum (say Rs. 5,000) that should be subject to the duties. In the second place recent changes in prices and land revenue have improved the position of landowners. Lastly, such duties are essential, as already pointed out, for the additional taxation of the large landholders.

(ii) There will be great difficulty in the valuation of chattels.

This is a difficulty inherent in the system, but that has not been considered a sufficient reason for not imposing the duties elsewhere.

(iii) The habit of investment is in its infancy.

This is no doubt true, but considerable investments have been made in State and District Board loans, Savings Banks, etc. Joint Stock enterprise is also increasing.

(iv) There are no reliable figures of trading incomes on which the capital value of business concerns can be based.

As the Indian Taxation Enquiry Committee point out, the Income-tax Department must assist the State in this respect and if the objection is no longer valid in British India, a similar reform of the Department should be possible in the State also.

There may be doubts as to the productivity of these duties if levied in Mysore. Unfortunately no figures exist which could assist us in forming even a rough estimate. Some idea as to the amount that might accrue could be obtained from

(i) Statistics of the distribution of land among landholders.
(ii) Statistics of income-tax levied on trade income.
(iii) Statistics of the distribution of securities.

(1) The existing figures in none of these respects give all the necessary data. The Season and Crop Report gives the number of holders paying varying amounts as assessment. Assuming that assessment of Rs. 100 and above would cover property that would be liable to death duties, we get in 1922-23, 8921 "holders" paying an assessment of Rs. 100 and more. Unfortunately, all these may not be separate persons; a number of "holders" shown as paying lower assessment may similarly be a smaller number of persons. Therefore the figure is both an exaggeration as well as an under statement of the number of those whose property would be be liable in case of their death to taxation. It cannot be a matter of much difficulty for the Deputy Commissioners to furnish a list of persons paying an assessment of Rs. 100 and more (or any other selected figure) in the different districts.

(2) The income from Mysore Government Securities and others is given as Rs. 2,695 and Rs. 1,418 respectively. This is no guide as to the holdings. In the case of Government securities, the provision of exemption from income-tax makes the first of these figures of no value, while taxation at the source by means of a high rate for companies with the right of refund of excess on demand, is a similar reason for not relying on these figures as indicators of private securities held in the State.

(3) The figures of income from business in 1925-26 are given at Rs. 11,02,531, but they include the income of

companies also. If the Income Tax Department would give, as it could, separate figures of the number of persons who derive an income from business as well as their income, and also supply information regarding the amount of refunds on account of excess taxation on company incomes and the number of persons who claimed them,—and these figures are available, it would be possible by reference to the average mortality in the State to suggest some basis for estimating the yield from succession duties on the basis of the existing rate of probate duties.

In conclusion it is worth emphasising that whatever the yield, succession duties are essential in any system of taxation that claims to be equitable. Its yield will increase *pari passu* with the prosperity of the people.

These three taxes, whose levy has been considered, may be said to be on the well-to-do classes enjoying income or possessing property of a considerable size. The next tax will fall in the main, if not exclusively, on the poorer classes, though in point of yield it is possibly as productive at present, as all the other three taken together.

(*d*) A TAX ON TOBACCO.

Indirect taxes, specially on articles of general consumption have as their purpose the levy of a contribution to public funds from the poorer classes of the comm unity who cannot be reached otherwise. Tobacco answers the purpose admirably and is subjected to taxation by means of customs as well as excise. British India is probably the only large country, where there is no excise duty on tobacco, though particular states in India do levy such a duty and realise considerable revenue therefrom, conspicuous examples being Travancore and Patiala. Accordingly the Indian Taxation Enquiry Committee's proposals are intended to supply this omission.

The salient facts regarding the position in Mysore in respect of tobacco are as follows :—

(i) A great deal of tobacco is grown in the State, as many as 30,531 acres being devoted to its cultivation. About two-fifths of the acreage is in Mysore District and even here, 10,090 acres are in a single taluk, *viz*.. Hunsur. Tumkur has 6,505 acres under tobacco.

(ii) There is considerable trade in raw tobacco. It is understood that practically all the imports of raw tobacco partly of Indian and partly foreign origin are for the Peninsular Tobacco Co., working in the Civil and Military Station, while the exports go mostly to the Madras Presidency.

There is also a large export of cigarettes and appreciable imports of cigarettes and cheroots.

(iii) It is not possible to get any estimates of the yield per acre. The note on tobacco in the "Appendices" to the Report of the Indian Taxation Enquiry Committee gives the minimum yield as 700 lbs. per acre, and this would mean at 6 annas a lb., which is the value of the local tobacco, a gross income of Rs. 280 per acre. The Deputy Commissioner of Mysore who has furnished some very valuable information gives this figure as the value of the best crop but says that the yield may fall to Rs. 40 or Rs. 30 per acre.

(iv) The assessment on land on which tobacco is grown ranges from 12 annas to Rs. 1-4-0 per acre, *i.e.*, the prevailing dry assessment.

(v) Tobacco is subject to octroi duty in municipalities and the total revenue from this source is about Rs. 20,000. In Bangalore and Mysore, license fees are levied at Rs. 5 on wholesale dealers and Re. 1 on retailers. There are 31 and 25 wholesale dealers and 800 and 500 retailers respectively in the two cities. This will give some idea of the wide spread character of the trade.

(vi) There is no doubt that a part of imported tobacco, unmanufactured and manufactured, pays the Imperial customs duty, but the consumption in the State is confined in the main to locally produced tobacco or that of Indian origin.

(It is true that import duties tend to raise the price of the local produce but the wide gap in the quality should be noted; raw tobacco imported into India is valued at Rs. 1-8-0 per lb.; that imported into Mysore at Re. 0-12-0, while the local produce is priced at Re. 0-6-0).

Rates and Methods of Levy.—The questions to be discussed are the method and the rate of levy. There can be no doubt that even a low duty, the equivalent of one anna per lb. would yield a considerable revenue. Even if we estimate the average yield at half of the minimum figure given in the "Appendices" to the Report of the Committee, this would mean a revenue of Rs. 6,46,250, say 6 lakhs. The question of rates cannot, however, be separated from that of the method of levy to which we must now turn.

Apart from state monopoly which does not call for any serious discussion, the different methods by which a tax can be levied are :—

(1) An acreage fee,
(2) An excise duty.
(3) Licenses.

The Indian Taxation Enquiry Committee, while agreeing that the first of these has the advantage of simplicity and productivity, rule it out on account of the administrative difficulties involved. "Though the growing of tobacco on a commercial scale is concentrated in a

few well defined areas, the cultivation of tobacco for home use and for sale in the local markets is exceedingly scattered. The plots are very frequently a small fraction of an acre. Supervision of cultivation which is scattered to so marked a degree would be expensive, difficult and onerous to the cultivator." Another difficulty they point out is the variation in the output, which rules out a uniform acreage rate.

The Committee accordingly express themselves in favour of an excise duty on places of manufacture and a system of licensing sales. It should be noted, however, that when the Committee is referring to manufacture, they are thinking of making up tobacco "after the fashion of cigars, cigarettes, or pipe or cigarette tobacco," and the making of beedis and snuff and chewing tobacco would be subject to license fee and not excise duty. In Mysore State proper, there do not seem to be factories or workshops engaged in manufacturing tobacco after the European fashion, so that the question resolves itself into merely one of licensing workshops making beedis, etc., as well as of places of sale where tobacco can be had.

The most obvious method seems to be to retain the existing system of licensing the trade in tobacco in Mysore and Bangalore. Only the licenses will be issued by Government, and the rates will bear some proportion to the amount of tobacco handled.

As regards the Districts, it would be convenient to sell the right to vend by taluks, each buyer being empowered to license retail vendors to whom only the raiyat could sell. The number of vendors would be sufficiently large to protect the cultivator against the danger of prices being forced down.

The question was considered whether it would not be simpler to tax the commodity when passing through the hands of the wholesale dealers, the cultivator being required to sell only to licensed wholesale merchants, competition among whom might be expected to protect the cultivator. The danger lies in the system, however, that a ring might be formed, with the result that a minimum revenue goes along with the maximum cost to the consumer.

LOCAL FINANCE.

LOCAL FINANCE.

Introductory.—It is not necessary to dwell on the importance of local institutions of Government in the economy of a country. It is well known that they serve a twofold purpose. On the one hand, they render to the people of the region services the efficient performance of which can be secured only by local agency and supervision; on the other, they serve as a training-ground for administrators and legislators for the larger arena of national government.

Historical conditions have affected the growth of local institutions in different countries, and apart from national idiosyncrasies, this explains in large measure disparities in number, functions and relations with the Central Government as well as with each other. The contrast that is pertinent to the present context is that drawn by the Indian Taxation Enquiry Committee between local institutions in the Western countries and those in British India. It is pointed out that whereas in Europe, "the process has been of a federation of smaller units into a larger unit to deal with common interests which they cannot deal with individually," in British India it has been "the much more difficult process of devolution of powers by the larger unit to the smaller ones. In the case of the towns, local self-government began in the big cities, to be followed later by extension to the larger towns in the muffassal and later what were known as village unions or notified areas, that is to say, areas in which it was competent to the Local Government to bring portions of the municipal law into force by notification. In rural areas the original unit was the District Board. When it was found that that was unwieldy and had a tendency to divert its attention too much to the head-quarters, some of its powers and funds were transferred to bodies representing portions of districts, known in some provinces as local and in others as Taluk Boards. Even these were found too large to be of use to the villages and during the last few years there has been a tendency for the revival of the village panchayet. The process in Europe has been the exact reverse. The growth was from the parish or the commune to the union,

from that to the country and so upwards." The consequence is that whereas the local institutions in the West possess all the vigour and self-consciousness of bodies with a long tradition of autonomy, in India the existing local bodies, which are the creations of the State, have yet to evolve a tradition and individuality of their own. There is at the same time a danger of exaggerating the contrast. Even in the West not only are the older local bodies tending more and more to act as useful instruments for the Central Government for the enforcement of a national minimum in essential services, but new institutions are being created by it from time to time. As Bastable has pointed out whatever may have been the previous development of local institutions in a country, at the present time, "the existing systems of local administration have in many cases a quite different origin; instead of being older than the State, they are its direct creation. In France, for example, the whole tax-system of the "departments" and "communes" rests on legislation not a century old, and though English institutions have a longer history, they are equally the expression of the State's will. The local institutions are not always survivals or even revivals of the past; they are often entirely new formations, devised to satisfy the needs for which devolution of authority has been deemed expedient." It is, therefore, obvious that Indian local institutions are also in the main stream of development of local government, and if their progress is hampered to some extent by the absence of local civic consciousness, there is some compensation in the absence of hindrances to the steady enforcement of a national minimum.

The central problem of local government is to reconcile two seemingly opposed tendencies at work. On the one side, there is the desire for local autonomy. "A local body cannot be expected to feel any great interest in its work if all the important parts of the system are predetermined. To secure a rigorous municipal life there must be a good deal of latitude given to the corporations engaged in its management (Bastable)." On the other hand, it is contended that "there is no service of interest only to the locality concerned. There is none exclusively "beneficial." There is certainly none in which the community as a whole has not an interest, and therefore a duty, to prescribe a "National minimum" below which no locality can safely be permitted to fall (Webb).." The task of the statesman

is therefore to secure "the desirable local independence and the local sense of responsibility" and the same time enforce the National minimum in respect of essential services. Obviously, a number of considerations must be taken into account and several devices tried before the constitution of the bodies, the franchise, the level of education in a locality, the extent of official control. Not the least important of these is finance—the extent of taxing powers of local bodies and the financial relations of Central Government to local bodies. The present enquiry is limited to these last, and directed to an examination of the bearing of finance on "a proper development of local self-government."

The problem to be examined.

The aim is to examine

(1) the existence and extent of the margin of unutilised powers of taxation of local bodies.

(2) the question of the assignment or transfer to them of any items of revenue which are now credited to Government, but which may with propriety be placed at the disposal of the said bodies for a proper development of local self-government.

It is obvious that an examination into the adequate utilisation of the powers of taxation and the desirability of State subvention in any manner, should be preceded by an enquiry into the functions assigned to local bodies and the scale of expenditure that their efficient performance would involve. In the nature of the case such an investigation involves more detailed examination of the budget of local bodies than has been possible in the short period allotted to a comprehensive enquiry that practically covers the entire range of State finance, and the following discussion is only intended as an indication of what has to be done.

Local Bodies in the State and their Functions.

The local institutions of the State, either existing at present or to come into being fall into three groups:—

(1) Municipalities.
(2) District Boards.
(3) Village Panchayets.

Each of them exists (or will exist) and functions by virtue of specific legislation, a statement of which is given

in the end. (See appendices B. C. and D). There are at present 104 municipalities mostly at district and taluk headquarters and other populous centres, and the District Boards are as many as there are administrative districts apart from the Sanitary Board, Kolar Gold Fields which is of a mixed character though under the Regulation there is no necessary correlation between the two. The village Panchayets that existed under the Regulation of 1918 have been dissolved, and new ones under the Regulation of 1926 are about to be constituted. A Panchayet may be constituted for a village or a group of villages.

The functions assigned to each of these groups of local bodies are to be found in section 54-56 of the Municipal Regulation, section 45 of the District Board Regulation of 1926 and sections 20-25 of the Village Panchayat Regulation of 1926 respectively, and for convenience of reference the sections are reproduced in the Appendices. While they will be discussed in detail in the appropriate places, it will be found that they are adequately covered by the following summary of the functions of local bodies given by the Indian Taxation Enquiry Committee with one important exception to be noted below :—

(*a*) Education, including libraries, museums and picture gallaries.
(*b*) Public Health, including water-supply, drainage, hospitals, conservancy, town improvement, lighting and regulation of traffic, housing of the working classes, registration of vital statistics and vaccination.
(*c*) Communications, including highways, paths and bridges.
(*d*) Poor relief, including the maintenance of paupers, lunatics and defectives, the provision of asylums and bridges.
(*e*) Police, including prisons, lock-up houses and assize courts.
(*f*) Agriculture, including rural industries, diseases of animals and destructive insects and pests.

Local bodies in the State are not required to undertake the group of functions under Police. Municipalities were relieved of this task in 1894.

We may now proceed to examine in detail the nature and extent of services rendered by local bodies and the resources they possess for the purpose.

(*a*) Municipalities.

Sections 54 and 55 of the Municipal Regulation enumerate "matters" in respect of which a municipality is expected to make "reasonable provision" priority being

given to those that are mentioned in the earlier section. The following section enumerates various discretionary duties a municipality may also undertake. As already stated, the duties enumerated relate to communications, public health and safety, education and poor relief. It is worth mentioning that municipalities are expected to "establish and maintain primary schools". As regards water-supply, their duty is limited to "obtaining a supply or an additional supply of water, proper and sufficient for preventing danger to the health of the inhabitants from the insufficiency or unwholesomeness of the existing supply when such supply or additional supply can be obtained at a reasonable cost". That is to say, the implication is that most municipal areas have a supply of water adequate under normal conditions, and a municipality is only required to supplement it or replace important ones, apart from construction and maintenance of roads, provision of medical relief and housing and maintenance of destitute orphans and cripples, which last defines the form that poor relief may take. Provision of amenities, parks, libraries and museums, comes under the optional duties.

Expenditure on Services.

The following tables show the expenditure of Municipalities in 1924-25, and for purposes of comparison, in 1916-17. It should be noted that the former year includes 11 Municipalities more than the latter, so that the increase in expenditure is in part due to the larger number.

TABLE XXXI.

A. Municipal Expenditure for 1924-25. (Accounts of towns and Minor Municipalities.)

			Rs.	
1.	Administration	...	1,35,093	
2.	Public safety, mainly lighting charges ...	...	71,078	
3.	Water-supply.			
	(i) construction of works 21,068*		1,05,687	* Figures for three districts only.
	(ii) Maintenance 84,619			

		Rs.	
4.	Public Works: Roads, drains and water-works (not included above)	1,78,163	* Five districts give no details and the items may include expenditure on construction of water-works not shown separately.
5.	Conservancy	2,28,899	(Should include the expenditure on drains also.)
6.	Medical relief (direct expenditure and contributions) ..	63,928	
7.	Provision of markets, slaughter-houses, cattle pounds and facilities for holding fairs and festivals.	13,297	
8.	Education	18,976	
9.	Care of gardens and buildings ...	6,563	
10.	Contributions to Libraries and other aids to culture ...	14,944	
11.	Registration of births and deaths.	1,093	
12.	Hackney carriages ...	1,759	
13.	Poor Relief	132	
14.	Interest on Loans	9,922	
15.	Public Debt	1,86,358	
			10,35,892
	Other Sundry items ...	...	58,940
	Total Expenditure ...		10,94,832

TABLE XXXII.

B. Municipal Expenditure for 1916-17. (Accounts of towns and Minor Municipalities.)

		Rs.	
1.	Administration	56,059	
2.	Public safety mainly lighting charges	42,708	
3.	Water-supply and maintenance ...	35,104	
4.	Public Works (i) (by Civil Dept.)	1,18,289	Full details not given (expenditure on roads, drains and water-works, etc.)
	(ii) (by P. W. D.)	5,764	
5.	Conservancy	1,43,659	
6.	Medical relief (direct expenditure and contributions)	23,045	

		Rs.	
7.	Provision of markets, slaughter-houses, cattle pounds and facilities for holding fairs and festivals	8,403	
8.	Education	12,883	
9.	Care of gardens and buildings ...	3,517	
10.	Contributions to libraries and other aids to culture ...	3,239	
11.	Registration of births and deaths.	339	
12.	Public conveyances ...	193	
13.	Poor relief and chatrams ...	618	
14.	Interest on loans	4,650	
15.	Public debt.	79,822	
	Other sundry items	25,527	(includes 15,000 investment shown under the head 'other items' in Tumkur.)
	Total expenditure including Public Debt heads ...	5,63,819	

TABLE XXXIII.

C. Expenditure of Municipalities in British India in the year 1921-22.*

	Rs.	Rs.
General Administration and collection charges		1,27,46,719
Public Safety:—Lighting	70,32,837	
Police	88,697	
Fire, etc.	14,07,336	
		85,23,864
Public health and Convenience:—		
Water-supply (including capital outlay)	2,00,67,771	
Drainage (including capital outlay)	1,06,56,141	
Conservancy	2,49,86,759	
Hospitals and Dispensaries and vaccination	71,87,819	
Plague charges	4,18,478	
Markets and slaughter-houses ...	33,36,103	
Aboriculture, public gardens, etc. ...	11,87,297	
Sanitary	30,66,236	

Public Works:—	Rs.		
Roads	1,41,90,701		
Buildings	42,99,813		
Establishment	27,51,722		
Stores	3,12,648		
Miscellaneous	9,37,688		
		2,24,92,572	
			9,33,99,176

	Rs.	Rs.
Public Instruction		1,25,28,561
Contributions for general purposes ...		39,36,784
Miscellaneous :—Interest on Loans ...	87,50,506	
Other miscellaneous expenditure ...	1,15,50,890	2,03,01,396
Extraordinary and Debt :—		
Investments ...	3,76,26,375	
Payments of Sinking Fund ...	43,95,196	
Repayment of Loans ...	66,38,022	
Advance ...	1,64,86,510	
Deposits ...	7,03,24,852	13,54,70,995
Grand Total ...		28,69,44,756

* Taken from Prof. Shah's book on "Municipalities in British India".

TABLE XXXIV.

Comparative statement showing municipal expenditure on Administration and Collection in the years 1916-17 and 1924-25.

[Allowance is made for the increase in the number of municipalities in the latter year *i.e.*, 11. The increase due to expenditure under administration in those new municipalities is deducted and the net figure shown for purposes of a true comparison.]

Names of districts	Head Office and Municipal Office		Collection charges		Total charges		Details for col. 2 for 1916-17	
							Head Office	Municipal Office
1	2	3	4	5	6	7	8	9
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bangalore ...	1,405	5,892	1,734	5,046	3,139	10,938	633	722
Kolar ...	4,966	9,712	4,193	8,153	9,159	17,865	577	4,389
Tumkur ...	2,143	9,524	3,703	6,184	5,846	15,708	641	1,502
Mysore ...	3,007	11,490	5,290	11,257	8,297	22,747	917	2,090
Hassan ...	1,159	7,050	3,055	7,791	4,214	14,841	387	772
Shimoga ...	5,366	7,956	5,942	8,679	11,308	16,635	437	4,929
Kadur ...	3,063	6,842	3,966	8,597	7,029	15,439	1,264	1,799
Chitaldrug ...	3,642	9,110	3,425	6,677	7,067	15,787	1,000	2,642
Total ...	24,751	67,576	31,308	62,384	56,059	1,29 960	5,856	16,895

Columns 2, 4, and 6 represent figures for 1916-17.
3, 5 and 7 represent figures for 1924-25.

The following comments suggest themselves :—

(1) *Conservancy charges* form the largest item, and this is similar to the position in the municipalities in British India (*vide* tables).

(2) *Administrative charges* have increased abnormally and account for a considerable part of expenditure ; whereas in 1916-17, they were 11·5 per cent, in 1924-25 they rose to 15 per cent; the table shows that office charges increased at a greater rate than collection charges.

(3) Although great prominence is given to *education and medical relief* as primary functions of municipalities, in practice these confine themselves to making contributions towards the expenditure on the shools and hospitals maintained by the Government.

In this connection, however, attention should be drawn to an anomaly regarding municipal contributions towards the maintenance of schools. The annual accounts of town and minor municipal councils show that a number of municipalities, but not all, make varying contributions for education. Now most of the smaller municipalities are practically large villages, and most of the inhabitants are already paying the educational cess, and additional contribution amounts to double payment. In the next palce, not all of the municipalities pay. The contributions date from 1894 when the Government relinquished their moiety of House and Mohatarfa taxes collected in some of the municipal areas and called upon the municipalities to contribute about a fourth of the sum so surrendered towards the cost of the Vernacular Primary and Middle Schools. The Government concluded their order with the declaration that "on principle, other municipalities which already enjoy the full mohatarfa, should also contribute towards the cost of their Vernacular Schools. Separate orders will be issued on the subject." This does not seem to have been done, nor was there any revision of the contributions in five years as stipulated. The consequence has been that nearly 40 municipalities do not make any contribution, among them four at District headquarters.

(4) *Poor Relief.*—Most of the Municipalities do not show any expenditure under this head, and it may be that in the smaller Municipalities there is not much scope for any municipal expenditure. The case is entirely different in the larger towns, and it is a matter for comment that even Mysore and Bangalore have made no

adequate provision in this respect. The section narrows the range of poor relief, but a remedy will have to be devised at no distant date for the beggar problem, and municipal organisation of poor relief must needs form an essential part of any scheme that sets out to deal with the problem with a measurable hope of success.

(5) *Water Supply.*—It has been pointed out that as the municipal areas start with some supply of water, municipal expenditure is confined either to maintenance of the supply or supplementing it. The figures show only one or two municipalities as having undertaken any extensive scheme of water-supply. A few of the larger municipalities have provided themselves with the pipe system and this accounts both for considerable expenditure on maintenance as well as for the receipts under water-tax.

The general conclusion that seems to be warranted is that the municipalities are spending in the main on two of the essential services, *viz.*, sanitation and communication, and the others are either not performed at all, or when the locality enjoys them, it is mainly at the expense of the general tax payer, as in the case of medical relief and education. In the circumstances, it would be academical to suggest that municipalities should undertake additional functions. Less than half the number seem to be interested in Public Libraries, and generally no attempt seems to be made to provide any amenities for the public. Municipal trading has assumed great dimensions in the West, but it would be premature to speak for example of municipal supply of milk or of municipal laundries. At any rate the City Municipalities may interest themselves in such extension of municipal services. The Cities and the larger towns offer considerable scope for municipal housing, and there is no reason why a City like Bangalore should not undertake the provision of motor bus transport.

Municipal Revenue.

Reverting to the main line or argument, one has to seek on the revenue side of municipal finance for an explanation for the limited performance of a limited number of services by municipalities in the State, although the Regulation offers a generous choice. The municipalities of the Cities of Mysore and Bangalore may be put on the one side for the present, and the resources of the

102 towns and minor municipalities examined. Here again it is convenient to separate the 9 larger municipalities with larger population and resources than the others, as the aim is to ascertain the resources of a typical municipality. This leaves 93 municipalities with a population below 10,000 and except in the case of eleven with revenue below 10,000 rupees. The nine large municipal towns have a total population of 1·8 lakhs and enjoy a total revenue of 3·43 lakhs of rupees. The remaining ninety-three include eleven Municipalities with a population of 63,432 and a total revenue of Rs. 1·93 lakhs. The residue of eighty-two may be considered typical of this class of institutions, though even among them less than half the number, thirty-three enjoy nearly ⅔rds of the total income of the group. In fact it would not be wrong to say that the typical municipality in the State has a population of about 4,000 and an income of about Rs. 2,500. It is this municipality that must be visualised when we are considering changes in municipal finance and administration.

Prima facie it stands to reason that an area of this size not differing much from an overgrown village, cannot be expected to undertake municipal functions of any but the simplest description, or finance any but the elementary needs of the locality. As has been pointed out already, many of the inhabitants in such areas already contribute to local taxation in the shape of cesses and it is doubtful if much more than the present contribution towards municipal finance can be expected from them. The case is different of course with the twenty larger and more prosperous areas.

The specific heads of revenue may now be examined in order that an idea may be obtained of their capacity to yield additional revenue. This will serve as a basis for the application of the recommendations of the Indian Taxation Enquiry Committee in respect of yield, assessment and odministrative machinery as well as imposition of new or alternative taxes by municipalities.

(i) *Octroi.*— This forms the largest item of revenue, the duties being imposed on a few staple articles of general consumption like piece goods, kerosine oil, tobacco, jaggery. The maximum rates that can be levied are fixed by the Regulation as also the classes of goods. It is well known that Octroi duties offend the rules of sound finance, and more than one effort has been made to substitute for them

some other tax. The general impression is that these duties offer much scope for leakage of revenue, but it is obviously difficult to make any quantitative measuremeut, or to suggest any method of reducing it. The Indian Taxation Enquiry Committee recommend the abolition of these duties. This will be dealt with presently.

(ii) *Tax on building and lands*:—The Regulation authorises the levy of a tax on buildings at a rate not exceeding 6 per cent on the annual letting value in City municipalities, and elsewhere, 8 annas for every hundred rupees or portion of hundred rupees of the market value up to Rs. 2,000 with four annas for every hundred rupees or portion of hundred rupees for the balance of such value in excess of Rs. 2,000. Buildings are also rated for purpose of water and light taxes. Vacant sites are taxed at a rate not exceeding 8 annas for every 100 sq. yeards.

It is obvious that the productivity of this tax depends on the correctness and frequency of the appraisement of the letting or market value of property, the rate of levy and efficiency of collection. Enquiries made of the municipalities at district headquarters show that valuations. have been made recently in several cases, though the last valuation in the City of Bangalore seems to have been in 1916-17. Generally a committee consisting of some of the members of the municipal council makes the valuation The maximum rates in British India are, 7½ per cent in Bengal, Bihar and Orissa, 10 per cent in Burma, 12½ per cent in the Punjab while no maximum rates are prescribed at all by statute in Madras, Central Provinces and Bombay. It is also understood that the actual collections fall considerably short of the demand. It may be gathered, therefore, that there is great scope for improvement of revenue under this head.

(iii) *Tax on vehicles and animals*:—The maximum rates are fixed by the Regulation, the productivity depends on the care with which the subjects are located and the tax is imposed, as well as on the rigour with which it is collected. It is, however, a small item and except in the case of the larger centres, of no great importance as a source of revenue.

(iv) *Tolls and ferries*:—This forms a very important source of revenue in the case of several municipalities specially those that lie on the high roads of communication like Davangere and Nanjangud and where a system of farming out prevails, the revenue collects itself. If

the proposal made elsewhere for a provincial tax on motor vehicles is accepted, this head will show a diminution, except in the case of municipalities that lie nearest the frontier.

(v) *and* (vi) *A Tax on professions and a shop-tax*:—These two items are taken together, the one being considered a substitute for the other, since a recent amendment to the Regulation expressly exempts persons paying a shop-tax from the liability to pay a tax on professions in respect of the business or profession carried on in the shop. At first the Regulation only authorised the levy of a tax on professions, but it was ascertained that a number of municipalities were raising a tax on shops. It was pointed out in 1919 that the levy of tax on shops was not legal, and that it should be replaced by a tax on professions and trades. Several municipalities represented that the substitution of profession tax for the shop tax would materially reduce their revenues, and the Government proceeded to legalise the tax and fix it as an alternative to the profession tax.

The figures show that the revenue from this source is very small. It is true that the income-tax reaches those whose earnings are above Rs. 2,400 a year but this leaves untaxed a larger number of persons who may not have a shop or a place of business. It is not clear why a profession tax should be less productive than a tax on shops, and it is worth pointing out that a tax on professions is very productive in the Eastern provinces of British India. Further, the payment of income tax to the Government is no more a claim for exemption from local taxation than the payment of land revenue would be for exemption from payment of cesses. A profession tax is a necessary corrective to the one-sided character of municipal taxation.

(vii) *Revenue derived under special Acts and from municipal property*:—The chief heads in these two groups are receipts from cattle pounds, markets and slaughter-houses. Apart from an increase in rates which may not always be expedient, it is difficult to suggest the existence of a margin of additional revenue in these groups.

It need not be reiterated that municipal supply may sometimes be a source of revenue, but as such services are not generally meant to be remunerative, *i.e.*, yield a revenue above the actual expenses, even if our municipalities embarked on an ambitious scheme of municipal

trade, it is not likely that they will be able to obtain a surplus towards expenditure on services like conservancy and lighting.

(viii) *Grants and contribution*:—This is of course, not so much a source of revenue as a supplement, and will be considered in another connection.

The above survey of the chief sources of the revenue may now be closed with the observation that apart from the imposition of new taxes, whose character and expediency will be considered below, the only directions in which additional amounts may be obtained are improvement in the assessment and collection of the profession tax. On these points, the Indian Taxation Enquiry Committee make important recommendations which will now be stated.

Recommendations of the Indian Taxation Enquiry Committee.

With regard to the house-tax, the Committee hold that "the outstanding feature of this tax in India is the inefficiency of the machinery of collection and assessment," and describe at length the defects brought to light in the different provinces, which relate mainly to remissness in collection, assessment by interested parties, and failure to use coercive processes and impose penalties for late payment. They come to the conclusion that the "only remedy for this serious state of affairs seems to be provincial control of the machinery of assessment and collection." It is suggested that wherever the local body can afford it, "it should have an executive officer who should have independent control of the tax collecting staff in the same way as the commissioners of the large corporations have. It would make for better and more consistent administration if these officers were selected, in the mojority of cases, from the ranks of Government Departments and lent for the purpose. In order to preserve the prerogative of the local bodies in respect of the appointments, there might be adopted the plan of submission of a list of names from which the Government would make a selection. A similar plan might well be applied in the larger towns to the appointment of the subordinate officers responsible for the collection of the house tax and profession taxes. In addition, in the case of the house-tax, it would be useful to arrange for the periodical revision of

the assessment by the loan of officers who would become experts in this work."

The Committee have expressed themselves in favour of a tax on professions, and recommend that "the assistance of the Income-tax Department might be secured in fixing the sums due by the persons who are liable to income-tax", which clearly shows that they do not attach any weight to the plea of "double taxation." In this connection, attention may be drawn to the scale of rates in Madras City compared with which the rates permissible in the State are very modest.

TABLE XXXV.

Rates of Profession tax levied in the Madras City.

Classes	Monthly Income	Half-yearly rate	
		Maximum	Minimum
		Rs.	Rs.
Class I ...	Rs. 5,000 or upwards	500	350
Class II ...	Rs. 3,000 or upwards, but less than Rs. 5,000.	300	210
Class III ...	Rs. 2,000 or upwards, but less than Rs. 3,000.	200	140
Class IV ...	Rs. 1,000 or upwards, but less than Rs. 2,000.	90	60
Class V ...	Rs. 750 or upwards, but less than Rs. 1,000.	45	30
Class VI ...	Rs. 500 or upwards, but less than Rs. 750.	30	20
Class VII ...	Rs. 200 or upwards, but less than Rs. 500.	12	8
Class VIII ..	Rs. 100 or upwards, but less than Rs. 200.	5	4
Class IX ...	All hotel-keepers, lodging, boarding, eating and refreshment house keepers and shop-keepers not assessed under any of the previous classes.	1	½

N.B.—"In Madras City, all persons other than shop-keepers and a few others, with incomes of less than Rs. 100 per month are exempt."

Report of the Indian Taxation Enquiry Committee—para 445.

The Committee disapprove of the Octroi duties and recommend that other taxes, to be described below, be substituted for them. If, however, "in *individual* cases, it is not found possible to adopt any of these alternatives," the following general principles should govern the levy of octroi (or terminal) taxes.

"(1) The rates of taxation should be low in all cases, and especially so in the case of necessaries of life and articles that are subject to Imperial or Provincial taxation.

(2) In order to prevent the tax from developing into a transit duty, arrangements should be made for prompt refunds on exported goods, and for bonding goods intended for through transit.

(3) The staff should be properly paid and efficiently controlled by an official agency, with which the elected representatives should have no power to interfere.

(4) The terminal tax, which is an octroi without refunds should be levied on all packages with reference only to weight and without reference to contents. The rates should be kept low and the Government of India, in the interests of interprovincial traffic and the railways, should retain a full measure of control. In any case in which a terminal tax is substituted for an octroi, the tax should be fixed at such a rate that the total proceeds do not exceed the average revenue from octroi during the preceding three years.

(5) The tax should not be levied on goods imported and re-exported without break of bulk.

(6) Where it is thought legitimate to derive a municipal revenue from a single staple, *e.g.*, from cotton ginning in the town, it is better to impose the tax direct on the output of the ginning mill.

(7) The levy of a tax on goods exported from a municipality should not be permitted, save in exceptional cases where it is already in existence.

(8) Goods, not leaving a railway yard, or only leaving port premises for a railway, and merely transhipped at the yard or port premises, should not be subject to any duty whatever."

With regard to local conditions, the fourth recommendation does not apply, and as regards the others, most of them seem to be enforced.

The Committee's decided preference is for the abolition of the octroi duties as they consider that they are the old transit duties in a new form. They propose that as a substitute, municipalities should impose, where these do not already exist, a rate on property or a profession tax.

To us in Mysore, the third substitute proposed by them is new, and an account of it may preface the list of new sources of revenue that are available to the larger municipalities in the State. The Committee recommend a tax on sales which is proposed to be collected as follows:—

"(1) The tax might be levied on the total turnover of the retail merchants in the town.

(2) All persons selling goods by retail should be required to register, including manufacturers and wholesale dealers who sell direct to consumers inside the town.

(3) The tax might be collected quarterly or half-yearly.

(4) In the case of hawkers, and possibly in that of the pettiest traders, a license fee would be levied, but no charge would be made on sales." It is claimed that "as a substitute for an octroi, it has certain decided advantages. The substitution of this tax would solve automatically the difficulties about entrepot trade, since no article which was not sold in the town would be liable to the tax. Its incidence would be fairer in as much as, being on an *ad valorem* basis its weight would be greater in the case of the more expensive articles consumed by the richer classes; manufacturers would be freed from taxation on the raw materials of their industry; collection would be less likely to be attended by fraud and harassment of the tax payer; and lastly, no administrative control would be necessary to prevent it from developing into a transit duty." Obvious difficulties suggest themselves, but the committee disarm criticism by their frank admission and expression of hope: "Difficulties in connection with the assessment and collection of the tax would no doubt arise. Especially at the outset, some evasion, particularly in the case of small traders who keep no accounts, is to be expected. If, however, the tax were *wisely* administered by a *competent* staff these difficulties would gradually disappear." It is not proposed to discuss the merits of this tax in detail, as it seems to be, at any rate so far as local conditions are concerned, incapable of

application without much inquisitorial inspection and even larger scope for fraud and corruption than the octroi system. In view of the general concensus of opinion against octroi duties, it may be tried as an experimental measure in one or two selected municipalities.

Other taxes which the Committee recommend that a municipality should have recourse to for augmenting its resources are an entertainment tax, a tax an advertisements, a tax on betting, a tax on companies, and a pilgrim tax. It is obvious that these cannot be resorted to by all municipalities. It is only a few places like Nanjangud, Melkote and Seringapatam that can hope to raise any revenue at all from a pilgrim tax, and the figures kindly supplied by the Traffic Manager show that the number of passengers that alighted at Nanjangud, Seringapatam in 1925-26, was 1,73,283 and 1,01,044 respectively. Not all of them were pilgrims, but a general tax of quarter an anna per ticket would yield about Rs. 2,700 and Rs. 1,500. A tax on advertisements, whether on walls or by means of "Sandwich men", can be expected to produce any appreciable revenue only in the larger municipalities. This applies equally to the taxes on entertainments and on companies, both of which have been already discussed.

Therefore, the conclusion seems inevitable that our municipalities, with the exception of those in the Cities and the larger towns, must depend only on increased exploitation of the existing taxes if they are to render improved and extended services. It is doubtful if the octroi can be replaced in the smaller municipalities without a marked fall in revenue. House and profession taxes may be expected to contribute to an increase though not very much. The needs of the smaller municipalities are urgent and things point to the inevitability of State subvention. This topic will be considered later.

(*b*) District Boards.

They are the successors of the District Committees of 1874, which were placed on a statutory basis in 1902. Successive Regulations have defined their duties and powers, and the latest of them is that of 1926, which transfers to them some of the functions formerly allotted to Taluk Boards and defines their amplified powers of taxation.

In 1916, Government expressed anxiety lest District Boards should degenerate into mere supervising bodies with no distnict functions of their own, and enunciated the principle that the proper course for the District Boards was to take "under their own control those functions and services which require a co-ordinated organization throughout the district." In 1924, it was pointed out that the original functions were supplemented by the "additional responsibility in respect of the taluk and inter-village services under sanitation, communications and medical relief," and the Regulation of 1926 mentions among other duties, "measures necessary for the public health, sanitation and other local services affecting villages under different Panchayets," and "construction and repair of public wells, tanks, and water-works that serve more than one village panchayet."

Section 45 of the Regulation, which is reproduced in the Appendices gives a list of "matters" in the control and administration of the District Boards. In addition to the usual functions relating to communications, sanitation, public health, medical relief, and education, a District Board is also expected to promote the "development of the economic condition of the District with special reference to Education, Agriculture and Industries and Commerce," and particularly "to encourage and develop Co-operative Societies in the District." It is obvious that all this will call for considerable expenditure, if attended to whole-heartedly, but until the newly constituted Boards have worked for a year or two, it is difficult to say what the scale of expenditure is likely to be, for which resources will have to be found.

The experience of the District Boards in the preceding years cannot be a guide, but it is interesting to note that all the resources were practically ear-marked for the performance of services on a scale of expenditure prescribed by the rules of administration. Thus the figures for 1924-25 in the following tables bring out that all the yield of the cesses, mohatarfa taxes and the tolls and market collections were covered by the expenditure on public works, administration and collection, and medical relief (*i.e.*, fixed contributions towards the maintenance of hospitals). Thus hardly anything is available for the more ambitious and 'nation-building' activities.

TABLE XXXVI.

DISTRICT BOARDS.

RECEIPTS.	1924-25 Rs.	Rs.
I. Local Cesses.—		
Allotment from local cess on land revenue	2,34,264	
Do on excise and forest revenue ...	1,52,256	
Local cess realised in Hassan District (no details given).	39,830	
Education cess (Hassan)	64,834	
Motor Cess (Shimoga)	17	
		4,91,202
II. House tax including mohatarfa and tax on vacant lands and hittals and mohatarfa in rural areas.—		2,39,773
III. Tolls and ferries.—		
Tolls ...	40,076	
Ferries ...	4,907	
		44,983
IV. Fees, Fines and Miscellaneous.—		
1. Cattle pounds	...	
2. License fees	...	
3. Market collections	13,909	
4. Cart stand fees	...	
5. Fees from travellers' bungalows ..	1,894	
6. Slaughterhouse fees	..	
7. Rents from cooly colonies ..	..	
8. Rents from other buildings and lands.	..	
9. Fines under village sanitation rules.	100	
10. Other fines	7	
11. Sale proceeds of lands and other produce.	4,469	
12. Sale of manure	..	
13. Interest on arrears of revenue ..	164	
14. Interest on investments ..	32,719	
15. Notice and warrant fees	2	
16. Breeding bull receipts ..	284	
17. Cattle shows	..	
18. Lapsed deposits	471	
19. Revenue from railways ...	..	
20. Other items	17,245	
Add total under this head (details not given) for Hassan District.	16,776	
		88,040
V. Contributions.		
1. Government	23,151	
2. Municipal funds	3,004	
3. Local Funds	142	
4. Other sources	29,191	
Add total under this head for Hassan (details not given).	18,519	
		74,007

DISTRICT BOARDS—*contd.*

RECEIPTS—*contd*

		Rs.	Rs.
VI.	Public debt.—		
	1. Loans (Loan for Nanjangud Chamrajnagar Ry).	6,16,955	
	2. Deposits	12,457	
	3. Advances	3,003	
	4. Drinking water wells ...	80,360	
	5. Education cess	3,20,799	
	6. Railway cess and int. on railway debenture loans.	3,70,435	
	Add total ... ... under this head for Hassan (details not given).	8,385	
		———	14,12,394
		Total ...	23,50,399

TABLE XXXVII.

EXPENDITURE.

		1924-25	
I.	Public works executed by P. W. D. . .		5,48,323
II.	Do executed by civil departments.		74,690
III.	Administration and collection ...		82,786
IV.	Public health, safety and convenience.—		
	1. Conservancy and sanitation ...	8,251	
	2. Medical relief including contributions.	75,236	
	3. Lighting charges ...	...	
	4. Accommodation for travellers ...	12,192	
	5. Catttle-pounds		
	6. Markets and slaughter-houses ...	130	
	7. Land acquisition ..	..	
	8. Fairs and festivals ..	414	
	9. Cattle shows and exhibitions ..	160	
	10. Water-supply and maintenance charges ...	3,250	
	11. Breeding bulls ..	811	
	12. Railway construction ...	1,739	
	13. Other charges ...	1,18,524	
	Add totals under this head for Hassan District (no details given) ...	29,795	
		———	2,50,502
V.	Miscelllaneous expenditure (contributions being the most important item).—		94,488
VI.	Public debt.—		
	Investments	10,20,000	
	Int. on railway ... .. debenture loans	16,368	

DISTRICT BOARDS—*contd.*

EXPENDITURE—*contd.*

	1924-25 Rs.	Rs.
Loans	28,793	
Railway cess fund .. (includes Rs. 1,21,695 spent on Nanjangud-Chamarajnagar railway)	3,97,309	
Deposits	8,007	
Advances	9,762	
Drinking water wells ..		
Fund	81,047	
Education cess	1,95,256	
Add total under this head for Hassan District (no details). ...	21,790	
		17,78,332
Total Expenditure ..		28,29,121

In the new conditions, the resources of District Boards will consist of the following items:—

(i) An assigned share of the local cess,
(ii) Other cesses, that must be imposed like the education cess, and may be imposed like the railway cess and the special cess.
(iii) Tolls.
(iv) Revenue from property owned by the District Board.

The share of the local cess to be assigned will be 76 per cent (*i.e.*, the former 26 per cent and 50 per cent paid to Taluk Boards). As against this the Boards will lose to the Village Panchayets the revenue from cattle pounds and house tax and other mohatarfa taxes. It is estimated, after making allowance for certain reductions in expenditure, that District Boards will have a normal revenue of about 9·5 lakhs against an expenditure of about 8·2 lakhs. The surplus is to be devoted to works of public improvement. These calculations will leave each District Board only about Rs. 16,000 for promoting economic development, so that it is necessary to suggest new sources of revenue for immediate resort. Among such sources are license fees in respect of offensive and dangerous trades, a profession tax, and a cess on income-tax collected in the district as distinguished from municipal areas. It is not likely that the first of these will be productive unless it is made general when it becomes a form of profession tax. The second of these stands on the same footing as the third in that both seek to tax for

local purpose a class of persons who as a rule share the burden of taxation more lightly than others. In some respects, a cess on income-tax supplemented by a license fee on persons with small incomes is to be preferred to the profession tax as it satisfies both equity and administrative convenience. The chief argument in its favour is, as the Lawrence Committee of 1915 observe, that "the income-tax payers in respect of their taxed incomes pay no contribution to local revenues. And it is from this class that District Councillors are largely recruited..... It would clearly be unjust and inexpedient that the persons who control the expenditure of local revenues should be free from contribution to those revenues." There will be difficulties to be got over before the cess can be imposed. One of these is that the tax is collected at the source in a number of cases, and the other is that the income of a person resident in a given local area may be earned elsewhere. These difficulties are not insuperable, specially when we are dealing with areas as large as a district, and such a cess has been levied with success in Germany. If the principle is accepted as it ought to be, a suitable scheme can be prepared since as the Lawrence Committee point out "the arguments in regard to the difficulty of adjustment between different local bodies and the apportionment of the tax from income taxed at its source do not apply in this country *proprio vigore*." It is also worthmentioning that the cess will weigh lightly on the subject. Thus a person with an income of Rs. 2,400 would pay an income tax of Rs. 37-8-0 a year to Government and, say with cess at one anna in the rupee, which is only equivalent to one of the several cesses on land revenue, an additional sum of Rs. 2-6-0.

(*c*) Village Panchayets.

The Indian Taxation Enquiry Committee draw attention to the fact that "the jurisdictions of the local bodies are so large as to remove them from effective touch with taxpayers," and hold that "the development of the future should be in the direction of restoring the influence of the Village Panchayet and limiting the functions of the bodies at present operating." It was certainly an anomaly that the village, in earlier times an autonomous body, should continue to be the unit of administration for revenue purposes, but cease to be one

for purposes of local administration. As early as 1909, the Decentralisation Committee expressed their opinion that "the foundation of any stable edifice which shall associate the people with administration must be the village, as being an area of greater antiquity than administrative creations, such as tahsils and one in which the people are known to one another and have interests which converge on definite and well recognised objects like water-supply and drainage." It was only after 1920 that attempts were made in British India to constitute Village Panchayets, but Mysore had already taken steps in 1918 to establish them, and the regulation of 1926 sought to remove the defects in the initial efforts. The old Panchayets have been dissolved, and new ones with enlarged functions and large powers of self taxation are being constituted.

There are in the state, according to the census of 1921, 16,672 towns and villages. Of these 13,785 have a population up to 500, and 2,137 between 500 and 1,000, and 584 between 1,000 and 2,000, and the remaining 166, a population over 2,000 and most of these, though not all, are municipalities. The typical village for whose better government the Panchayets are to be constituted belongs to the first group of 13,785. It is interesting to note that these 13,785 villages have a total population of 27,17,895 which gives an average of little more than 200. An examination of the figures separately for the districts also brings out the fact that the average is the same for all districts, the range of variation being from 180 to 200. Therefore, when we are considering the duties that can be entrusted to a village panchayet and the resources it can command for their performance, we must always visualise a village of about 200 inhabitants living in about 40 to 50 houses with such resources in men and money as an agricultural group of that size may legitimately be expected to possess. The case would be somewhat different of course, with the 2,137 villages with an average population of 677 and still more so with the 584 villages with an average population of 2,673.

It is the hope that these units of rural life will be able to undertake some, if not all, of a large number of duties, some obligatory, others discretionary, while a few others may be entrusted to them by Government, the District Board and others. The obligatory ones relate to such essential matters as communication, supply of drinking water, sanitation and public health. The discretionary

ones include, among others, lighting of the village (which in Madras is placed among the obligatory duties), relief of the poor and sick, and development of education, agriculture, co-operation, rural industries and trade. The duties assigned by the Madras Act are even more comprehensive (*Vide Appendices.*) Other duties which may be added, if a Panchayet shows sufficient signs of life, are (1) management and protection and maintenance of village forests, (2) the functions of a Panchayet under the Tank Panchayet Regulation 1911, (3) management of minor Muzrai institutions, and (4) supervision over village schools in the area.

This is a formidable list, and one naturally wants to know what the nature of the resources is that will be available to a village panchayet by which the duties are to be performed. They are, apart from any balances that may be transferred to its credit, mainly two, *viz.*, a tax on all houses, shops or places of trade or business, vacant sites, hittals and carts (subject to exemptions) in the village (or villages) within its jurisdiction, and any other tax, cess, rate or license or other fee that can be commuted into a contribution of labour not exceeding 18 days, labour in a year. It is obvious that, unlike the Central Government, a Village Panchayet cannot attempt to fix its expenditure, even for short periods and expect to raise a revenue adequate for the purpose. Its position is more akin to that of an individual whose wants are varied but whose limited resources must be spread out in the most effective manner.

Let us see what is the maximum revenue that such a village may be expected to raise, and set against it the minimum services that a civilised community should be entitled to and estimate their cost. The Rules under the Village Panchayet Regulation of 1926 prescribe the rates of tax on houses and other property. The rates on houses vary from 0-8-0 to Rs. 10 (on a house worth Rupees 1500), and the rates of the tax on shops (retail) from one rupee to Rs. 25. The tax on carts is one rupee on single, and Rs. 2 on double, bullock carts, but it cannot be levied on carts belonging to persons whose primary and sole occupation is agriculture. With these rates in a village of 40 to 50 houses, it is obvious that not more than a hundred to a hundred and fifty rupees can be raised. Very few carts would be liable to pay a tax, and very few houses would be worth more than Rs. 200 and

therefore liable to pay more than Rs. 2. Account must of course be taken of the liability of villages to additional taxation, while cattle pounds if worked carefully might yield some revenue. In any case the maximum revenue cannot exceed in the best of circumstances Rs. 200 to Rs. 250.

Even such a village should attend to the following duties :—

(i) Construction and maintenance of village roads.
(ii) Supply of drinking water.
(iii) Lighting of the village.
(iv) Arrangements for burial and cremation.
(v) Maintenance of a store of implements and seeds for agriculture.
(vi) Provision for a building for social amenities.

The expenditure on these items may be roughly estimated as follows :—

(1) *Roads.*—Cost of maintenance—Rs. 50.

(2) *Wells.*—A number of villages have no wells at all. Therefore we must provide both for capital expenditure as well as maintenance. The well has to be of fairly large dimensions, 6 feet diameter, if the village is a mixed one *i.e.* consisting of Hindus and Muhammadans, in which case the cost will be about Rs. 500. Allowing for a Government grant of half the cost and a loan of the balance, the village must provide about Rs. 30 a year, including the maintenance charges.

(3) *Drainage and sanitary arrangements.*—The length of drains to be provided may be taken at 4 furlongs; the initial cost, spread over a number of years, and the upkeep will come to Rs. 50 per annum. Conservancy would involve the salary of a sweeper, say Rs. 100 a year.

(4) *Lighting.*—Six lights would cost Rs. 100 a year.

(5) *Medical Relief.*—A vaidya would require about Rs. 10 a month *i.e.*, Rs. 120 a year.

No estimates need be made for the other items at this stage. Thus the total charges on absolutely essential duties rendered at the minimum would come to more than Rs. 400. Probably Rs. 500 would be nearer the mark.

No doubt some part of the expenditure can be met by calling upon the adult members of the village to render labour services, but even then a gap would be left which can be filled only by State subvention.

State Aid to Local Bodies.

The drift of the discussion has been to make out a case for State subvention to these local bodies, though the strength of the case for such subvention and the condition of grant will naturally vary from one group to another. Before dealing with local conditions, a short resume may be given of the present position of theory and practice in regard to State subvention to local bodies.

This discussion of the basis, form and amount of State subvention to local bodies may be appropriately prefaced by the following observations of the Indian Taxation Enquiry Committee.

"In the case of the services that are administered by local bodies, however, the State is in most countries responsible, and consequently it is often compelled to prescribe standards of administration and to exercise control over the local bodies in order to ensure adherence to the prescribed standards. This control generally involves financial assistance. (In France) the most important feature is that Central Government undertakes financial responsibility for certain classes of expenditure under each service.....Conditions vary in the other European countries, but it may be stated that, generally speaking, there is no complete separation of sources of revenue or even of functions, and that the resources of local bodies are in most cases supplemented by subsidies from the States, which have become necessary partly because certain services of national importance are under the administration of local authorities, and partly because of the difficulty of devising an equitable system of local taxation on the principle of ability to pay." In other words, it is to the interest of the community at large that certain services should be performed through the agency of local bodies. The resources are revenue raised by means of both general and local taxation and as local taxation is generally inadequate, the funds of local bodies must be supplemented by grants from the Central Government.

It used to be the fashion some time ago to insist on the distinction between services of local and national importance, "beneficial" and "onerous" services, and so on, the underlying idea being that in the former case "the preponderance of local interest is so decisive that no objection on the score of equity can be brought against the localisation of cost." Even so early as 1899 when the

Local Taxation Commission was sitting, opinion was gaining ground that it was difficult to make such a distinction. For example, as was pointed out at the time, even "the sanitary condition of any district is a matter of serious concern to its neighbours, owing to the tendency of many diseases to spread." In the last quarter of a century, it may be said that authoritative opinion has come round to the view that the interests of a locality and those of the State as a whole are identical and do not admit of any clear-cut differentiation. Accordingly apart from a few functions which lie obviously with in the province of the Central Government, it is entirely a matter of expediency as to which of other functions are performed by the Central Government or by local bodies. As the forms of taxation that can be raised without loss by the local bodies are few and inadequate, it follows that the Central Government must act as the collector of revenues, and transfer some portion of them to the local bodies so that they may adequately perform all the duties required of them in the interests of the State as well as of the locality.

The question next arises as to the best mode of transferring funds from the Central Government to the local authorities. Three ways of doing so have been tried and may be said to prevail even now in varying degree. One of these is to assign certain heads of revenue to the local authorities and allow them to collect them in their jurisdiction or to pay over the collections in each locality to the authorities there. A second method is for the Central Government to share with the local authority in a fixed proportion the revenues under certain heads in each locality. The third is the method of grants-in-aid.

It will be seen that the first two do not differ substantially. The guiding idea is to allow each local authority to appropriate either wholly or in part the proceeds, in its area, of certain heads of national taxation. Examples of such assigned revenues are the license duties in Great Britain till the change of system in 1907, half the probate duty (later changed into a proportion of the new Estates' Duty.) The main criticisms made against such assignment of revenue are based on grounds of inequity and administrative inconvenience. Local authorities deducted certain expenditure from the proceeds of the items granted to them, and "the actual result was that it became exceedingly difficult to trace the course of the assigned revenues."

Further, as Sir Edward Hamilton points out in his Memorandum to the Royal Commission on Local Taxation, " while under the old system (of grants) the millions appropriated to local purposes were annually controlled and supervised by the House of Commons, the amount which went to meet local requirements under the new system was once for all surrendered," without supervision. An equally important criticism is that the distribution of State help would not be according to the needs of a locality. TheState help to local bodies would not regulated by their requirements but by capacity to contribute to certain artibitrarily chosen heads of revenue.

Grants-in-aid stand on a different footing. They have been defined as a subvention payable from the central exchequer to a local authority in order to assist that authority in execution of some or all of its statutory duties. They have come to be of great importance in British Local Finance, and it has been calculated that local authorities in England received in 1920-21 as large a sum as £65 millions. It is worth recording that Prof. Marshall expressed himself as "opposed to the allocation of central taxes to local purposes," and preferred "frank contribution from the Exechequer given in aid of local services, and on the condition of their being efficiently performed." The Indian Taxation Enquiry Committee have also expressed the view that " the plan of assignment of a share of State Taxation is not one that can be recommended in normal circumstances," and support a system of subsidies.

As a matter of fact subsidies are a familiar feature of local finance in British India. In the Madras Presidency, as the Retrenchment Committee point out, between the years 1915-16 and 1922-23, out of a total provincial revenue of 118·34 crores, 7·25 crores (6·1 per cent) were granted to local bodies, and in 1923-24 a provision was made for a grant of 1·41 crores out of a revenue of 16·87 crores (8·4 per cent). The only available figures for Bombay are those contained in the Report of the Lawrence Committee of 1915 which show that local authorities (excluding Municipalities) received in 1913-14, 34 lakhs from the Government while their total revenue was only 80 lakhs.

The grounds on which such grants can be supported have been stated by Sydney Webb to be the following:—

(i) They are necessary to prevent an extreme inequality of burden between one district and another.

To leave each local authority to pay for its own sanitation, its own sick and infirm, and its own aged poor would mean that some districts would have to incur a rate in the pound 10 or even 20 times as great as others." Under these circumstances, the relatively poor districts would inevitably have local services far behind the current standard.

(ii) They are needed to give weight to the suggestions, criticisms, and authoritative instructions by which the central authority seeks to secure greater efficiency and economy of administration.

(iii) They are the only practical method, consistent with local autonomy, of bringing to bear upon local administration the wisdom of experience. Superiority of knowledge, and breadth of view which as compared with the administration of any small town, a central executive department cannot fail to acquire.

(iv) Only by this means can the state enforce on all local authorities throughout the kingdom that national minimum which is indispensable in general interests.

To sum up the position: Local bodies are intended to bring to bear on the performance of services in the locality that local interest which alone can guarantee efficient performance. Many of these services are as much of national as of local interest, and no locality can hope to render them with its own resources, nor could it be expected to do so. The central government must come to its aid and the most effective and equitable method is that of grants. Grants-in-aid have come as a matter of fact to play an important part in the relations between central and local institutions of Government.

Coming to the rules that should regulate grants, the following deserve consideration :—

(i) Grants should not be fixed sums but should, year to year. be dependent on local efficiency. Definitely fixed lumpsum grants, irrespective of the use made of them, encourage extravagance and laxity of administration.

(ii) The conditions on which the grants are to be payable should not be stereotyped, but should be formulated and revised from time to time by the Departments concerned, and no grant should be payable unless a certificate is given by the Department concerned that the local authority is administering the service to be aided in general accordance with the law and with the authoritative regulations of the Department.

(iii) Grants should not be allocated on any mechanical basis such as the number of persons treated, etc., at so much per he ad or a

such a proportion of the salaries paid, etc. The provision of a service adequate in extent to the local needs, and yet not unnecessarily expensive, can be better secured by appropriate regulation, compliance with which is enforced by a Grant, than by offering what comes to be a standing bonus on further extensions.

(iv) The grants should not be made in respect of the whole work of the local authorities, but should be applicable to definite and deliberately selected services, which will vary from country to country, but which should at least include education, public health, provision or the sick and infirm.

(The above rules are taken from Sydney Webb's "Grants-in-aid.")

Grants-in-aid in Mysore.

It remains now to consider, in the light of the above discussions, the question of grants by Government to local bodies in the State. The Taxation Enquiry Committee have called attention to " the fact that the finances of local bodies all over the country are inadequate for the services which they have to perform." The account of the duties and resources of the municipalities, village Panchayets (the position of District Board seems to be somewhat different) in the State will have failed in its purpose if it has not brought out the equally inadequate resources of these bodies, and the imperativeness of Government grants.

Such grants are not indeed novel in the State. Government are already placing considerable sums at the disposal of local bodies and " Local Self-Government—grants for public improvement " forms one of the budget heads. It would have been instructive if a full and classified statement (according to *locality* and *purpose*) could have been prepared of Government grants to local bodies in the State during the past 20 years, but unfortunately such a statement could not be compiled from the published statistics, and it was not possible to obtain the necessary information before the report was due. All that can be done is to show the expenditure with such details as are available under the budget head ' Local Self-Government —Grants for public improvements," which amounted to Rs. 81·03 lakhs (figures shown under this head from the year 1909-10 onwards *i.e.*, 18 years) giving an average of 4·5 lakhs per annum (*vide* tables on pp. 148 and 149). This does not exhaust the financial assistance given by Government to local bodies. Account must also be taken of charges of a local nature borne by provincial

funds. Thus though primary education and medical relief are meant to be attended to by local bodies, as a matter of fact, hospitals and schools are maintained by Government, only a part of the expenditure being met by District Boards and Municipalities. This fact must be borne in mind when a comparison is instituted with Government grants to local bodies in British India, where services like education, medical relief, and maintenance of trunk roads are in full administrative charge of local bodies, which, therefore, receive larger subventions from Provincial finances.

TABLE XXXVIII.

Local Self-Government—Grants for Public Improvement.

In lakhs of Rupees.]

Years	Bangalore City Improvement	Improvement of water-supply in towns	Town planning operations (Improvement of town and minor municipalities)	Mysore City Improvement Funds	Village improvements. (Rural Reconstruction)	Drinking water wells in villages	Malnad improvements	Sanitary improvement	Grants-in-aid to District Boards under L. S. G. Scheme	Sub-vention to Mysore City Municipality for water-supply	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1909-10 ...	...	...	...	2·78	...	...	...	...	...	...	2·78
1910-11 ...	...	...	...	2·60	...	...	...	...	...	...	2·60
1911-12 ...	...	...	..	2·33	...	...	...	...	..	...	2·33
1912-13 ...	...	...	...	·47	...	...	...	...	...	...	·47
1913-14 ...	...	...	...	2·57	·16	...	·10	...	...	...	2·83
1914-15 ...	...	·07	...	2·95	·47	·87	·59	...	...	...	4·95
1915-16 ...	...	·34	...	3·81	·99	·66	·77	...	...	...	6·07
1916-17 ...	·15	·21	...	4·25	·44	1·70	1·28	...	...	...	8·03
1917-18 ...	2·06	...	·06	3·58	·44	1·11	1·49	...	...	..	8·74
1918-19 ...	·56	·004	·04	3·40	·29	·35	1·62	...	...	...	6·27
1919-20 ...	·81	·04	·05	4·00	·28	...	1.22	...	...	...	6·40
1920-21 ...	·82	·30	...	3·12	·19	...	·95	...	...	..	5·89
1921-22 ...	·76	·30	...	1·75	·004	...	·58	·03	...	...	3·42
1922-23 ...	·50	·39	...	1·67	·13	·17	·54	·04	...	...	3·44
1923-24 ...	·50	·29	·08	1·55	·01	·13	·57	·009	...	...	3·16
1924-25 ...	·50	·24	·51	1·25	·01	·27	·53	·005	·003	...	3·32
1925-26 (Revised) ...	·35	·50	·46	1·00	·44	·78	1·02	...	·05	...	4·56
1926-27 (Budget ...	·85	·50	1·30	1·00	1·30	·50	1·20	...	·05	·10	6·30
Total ...	7·86	3·18	2 50	43·53	5·18	6·49	12·46	0·84	·103	·10	81·03
Yearly average ...	·41	·18	·14	2·42	·29	·36	·69	·0046	·0057	·0005	4·5

TABLE XXXIX.

Statement showing Government Grants to the Municipalities of the Cities of Mysore, Bangalore.

(*Actuals.*)

Years	Bangalore City	Mysore City	
	Rs.	Rs.	
1903-04 ...	...	3,00,000	Expenditure relating to Bangalore City Improvements is not separately available in accounts for the years 1903-04 to 1914-15 as the total expenditure was being booked under one head "Grants to Municipalities for special purposes."
1904-05 ...	...	3,31,000	
1905-06 ...	...	3,00,000	
1906-07 ...	...	3,82,710	
1907-08 ..	...	2,17,290	
1908-09 .	...	2,29,734	
1909-10 ...	...	2,72,758	
1910-11 ...	...	2,60,000	
1911-12 ...	...	2,33,019	
1912-13 ...	.	47,238	
1913-14 ...	...	2,56,962	
1914-15 ...	6,917	2,95,072	
1915-16 ...	3,927	3,31,143	
1916-17 ...	15,107	4,25,214	
1917-18 ...	2,06,256	3,57,804	
1918-19 ..	55,941	3,40,000	
1919-20 ...	80,827	4,00,000	
1920-21 ...	82,134	3,12,154	
1921-22 ...	76,090	1,75,000	
1922-23 ...	50,000	1,66,719	
1923-24 .	50,000	1,55,000	
1924-25 ...	50,000	1,25,000	

In the coming years, increasing demand will be made for grants by Government, and it is desirable that definite rules should regulate such grants, among which may be mentioned the following:—

(i) There should be a clear statement of the classes of expenditure in aid of which a grant will be made.

Such a statement has indeed been made in the case of municipalities in the circular letter dated 15th September 1924 with regard to construction of "works outside the ordinary duty of the municipality to execute and which are of a special character and the cost of which cannot be fully met from the revenue of the municipality." The suggestion now made is that grants should also be made in aid of normal services, which, it is to general interest, should be efficiently performed. Such

specific grants in aid of normal expenditure are made, as mentioned above, in the Madras Presidency to District Boards for elementary and secondary education, roads and medical relief. In the State itself, a grant of this character is made in the case of medical relief, the salaries of the staff and the cost of imported drugs being met from State funds. When elementary education is transferred to District Boards and municipalities, similar grants will become necessary Grants for specific purposes will be an effective lever to induce local bodies to perform additional duties so far neglected by them.

(ii) The grants should not be fixed but variable. There should be no arbitrary variations, but a local body should feel that increased efficiency and expenditure will be rewarded by larger grants. At the same time it is not suggested that either the revenue or the expenditure of a local body should be taken as the sole or even essential criterion in making such grants. The former would favour rich local bodies unduly, while the latter might encourage extravagance, if for example, grants are made on a basis of hands employed and so on.

(iii) Grants should be made on the certificate of the Department interested in the particular service which it is intended to subsidise.

It is unfortunate that in Mysore some of the essential services of local bodies are performed by State Departments, their cost being met either in part or wholly by the local bodies, *e.g.*, maintenance of roads, education and medical relief. This need not always be so, and the rule is capable of application in other cases.

(iv) The grants should aim at effecting an equalisation of local burdens between different areas.

If local bodies, specially small municipalities and Village Panchayets, are left to their own resources for the maintenance of essential services, either the burden will be impossible to bear or the services will not be performed at all. The need of the situation is that "the grants should be distributed in such a way that most would be given to those districts which have the lowest ability and whose expenditure is high (*i.e.*, relating to resources) and less to those with the greatest ability and less necessity for expenditure."

(v) Grants of any kind should be made only after it has been ascertained that a local body has fully utilised its powers of taxation under the regulation.

These last two points require fuller consideration in the light of the existing conditions. The conviction borne on one's mind is that the smaller municipalities and the village panchayets are not likely to find their powers of taxation, even when fully exercised, adequate to maintain the essential services at the desired level, and it is imperative in general interests that these should not be neglected. Therefore, what is wanted is an application of the grant system in two stages. An attempt should be made to lay down something like a minimum scale of expenditure for municipalities and village panchayets and convert it into some definite figure, such as so many rupees per head. Against this should be set the maximum revenue that a municipality or village panchayet can be expected to raise from the chief heads of revenue. It is evident that the larger and the wealthier municipalities will show a surplus while the other municipalities and village panchayets will show a deficit. A first grant equal to the amount of the deficiency should be made on condition that the maximum revenue is raised under the specified heads. Over and above this minimum grant, grants should also be made for additional expenditure on approved items, in a varying proportion according to the importance and social value of the duties undertaken. The suggestion made requires to be supplemented with some calculations as to how it will work and what the cost will be. Unfortunately, limit of time does not permit this to be done, but the idea has been supported and worked in some detail in the case of Great Britain by Lord Balfour of Burleigh in his separate minute appended to the report on Local Taxation (1901) as well as by Sydney Webb in his "Grants-in-aid." This is a part of the subject which deserves fuller investigation as it is only on the adoption of some such principle that the progress of local bodies all over the State can be ensured.

Drinking wells in villages.—On account of its importance, it seems necessary to emphasise the need for immediate grants for the construction of wells in villages. It is understood that about half the villages in the State are yet wanting in wells for supplying drinking water. The District Boards have no doubt been constructing them steadily but the progress is slow. The Village Panchayet Regulation assigns the duty of supplying water for domestic use to the Panchayets and it is a matter deserving of serious consideration whether Government

should not perform this primary duty itself, leaving the mere maintenance work to the Panchayets. Estimating the number of villages lacking drinking water wells at 7,500 and the cost of constructing a well at Rs. 500, the total cost will be Rs. 37½ lakhs, a sum not beyond the means of Government even under present conditions. The villagers might be asked to supply labour, and if the departments concerned are sufficiently keen in the matter, in a few years no village should have trouble about water supply, and the cost will be more than made up to Government in various ways.

Transfer of Revenue to Village Panchayets—Before this section is brought to a close, it may be convenient to deal specifically with one or two suggestions regarding the transfer to local bodies of items of provincial revenue. The drift of the whole argument has been definitely against such transfer, and the only ground would be an improvement in the receipts, and there are no items of revenue in the case of which it can be said that the yield will improve in the hands of local bodies. It has been suggested that there are two exceptions—Hulbanni and Amarayi. The view has been expressed that local collection and appropriation of these would lead to greater rigour in collection, thereby providing large sums for local expenditure. Only those in close touch with village life are competent to express an opinion in the matter. The two items yield about 2 lakhs of rupees now, and this would give to Village Panchayets an average additional income of about Rs. 15. This does not seem to be an appreciable increase to them, while the loss to provincial finance is considerable. There is also the possibility of uneven distribution of the receipts, some districts benefiting more than others. The only suggestion that can be made is that a transfer may be made in one taluk in every district, and the yield watched for a year or two. If there is no appreciable increase, it would seem hardly worth while violating an important principle of public finance that revenues of the Central Government should not be allowed to be intercepted by local bodies.

CONCLUSION.

CONCLUSION.

An attempt has been made in the preceding pages to carry out the instructions contained in the Government Order instituting the present enquiry. The chief taxes in the State have been described and examined in the light of the recommendations of the Indian Taxation Enquiry Committee regarding their counterpart in British India. The several new taxes proposed by the Committee (including also those that already obtain in British India) have been examined with regard to their suitability for levy in the State. Local Finance has been also dealt with, specially from the point of view of the nature and extent of financial help that Government may give the local bodies to promote their development.

It is evident that the recommendations in respect of additional taxation can be pressed only after an examination of State expenditure. Otherwise, there is no basis whatever for suggesting the imposition of fresh taxes. This was indeed the limitation under which the suggestions of the Indian Taxation Enquiry Committee labour, and it was considered sufficiently important for some of the members to draw marked attention to. The Maharajadhiraj of Burdwan and Dr. Hyder say that given certain ends, their task "has merely been to enquire how the revenue for the attainment of these ends may be raised with the least amount of hardship and the least waste; to indicate, in other words, the *suitability* of the possible sources of revenue rather than to consider either the desirability of those ends or the determination of the amount of revenue necessary for their realisation. These are questions for the people themselves and their representatives to consider and to determine, not for us, as members of the Committee, which must concern itself with the technical aspects of the questions." Dr. Paranjpye uses much stronger language and says that " it would be an improper use of the work of the Committee to impose any particular new tax or to enhance an existing one, simply because the result of the enquiries shows that it is practicable to do so, without considering the persons by whom, the manner in which and the purpose for which the money is to be spent." In other words, the "desirability" of new taxes can only be determined with reference

to the nature of public expenditure and the adequacy or the reverse of the existing sources of revenue.

An examination into the amount and character of public expenditure or into the non-tax sources of revenue did not come within the scope of the present enquiry, though the practical value of the recommendations made will depend on their being reinforced by such an enquiry. It was not possible, however, to study relevant problems without some insight into the general aspects of the allied ones. The following conclusions are offered as merely tentative, and suggestive of further investigation.

The revenue of the State since 1903-4 has increased, but part of the increase is due to the imposition of new taxes, and part to the abnormal and not altogether desirable rise in the excise revenue. In recent years, the revenue has tended to be stationary, one or two heads even showing a tendency to a fall (*Vide* Appendix A).

Expenditure on the other hand has been increasing steadily, and in some years very sharply. Retrenchment effected in recent years has been set off by renewed increase. The leading causes of the increase may be said to be the following:—

In the first place, as a consequence of the inauguration of large irrigation and industrial works, interest and depreciation charges have increased enormously so much so that the net revenue from State property (other than forests) is now fully covered by capital charges, whereas in the earlier years, a surplus was available for ordinary expenditure on services. In the second place, not only has there been an automatic increase under almost every head of expenditure, but the policy of advance has increased the expenditure on development departments, specially on education, in whose case the increase has been from 7·54 lakhs in 1903-04 to 44·61 lakhs in 1924-25 (*Vide* Appendix A).

Another factor in the financial situation that must be taken into account is the contribution to Imperial Revenues both on the revenue and on the expenditure side. The public revenues of the country may be said to be augmented to the extent of the Imperial customs and Salt Duty, while the subsidy is an important item on the expenditure side. Therefore, the resources of the State that would be available to meet the normal expenses of the State are reduced both directly and indirectly.

Therefore, the equilibrium between revenue and expenditure can only be restored by one of the following expedients:—

(*a*) Reduction in expenditure by paying off the debts in time, which will save interest and depreciation charges which now amount to about 50 lakhs.

(*b*) Economies in expenditure on ordinary services.

(*c*) Reduction in the demand made by the Government of India on the resources of the State.

(*d*) Additional taxation.

With regard to the first of these, there is no doubt that if the sinking funds are maintained in a conservative manner, they will enable the State to pay off the loan on the due dates, and the part of the revenue now set apart for debt service will be available for normal expenditure. This, however, assumes that there will be no more occasion to borrow and that public debts as a charge upon the revenues will disappear. This view is obviously untenable, since a progressive State is bound to incur expenditure which cannot be met from ordinary revenue. The High Level Channel Scheme is a case in point. All that can be expected is that in the coming years the capital works may yield a revenue over and above the debt charges, but that this will be very large or that the debt charges will disappear is not a thing to be expected One expedient of reducing the debt charges is to spread the sinking fund charges over a long period, but this also spreads the interest over a correspondingly long period, and loans for long periods are not always floated on the best terms.

It is hardly possible for the expenditure on development services to be checked, let alone reduced. It has been pointed out that every spasmodic effort at retrenchment followed by an increase, as it is sure to be, involves a great deal of waste since schemes have to be stopped in an incomplete stage and staff dispensed with only to be renewed and re-employed at no distant date. Besides the services already undertaken, the country is expectant of a comprehensive scheme of rural reconstruction as the result of the labours and recommendations of the Royal Commission on Indian Agriculture.

Therefore, the only alternatives are either a reduction in the heavy demands made by the Imperial Government on the taxable capacity and the resources of the state, or

additional taxes, the most productive of which, the tax on tobacco, will fall on classes already taxed heavily. It is for those responsible for the finances of the State to weigh the probability of the one against the imperativeness of the other, and it is for the representatives of the people to appreciate the position of the Government in the matter, and support them in the endeavour to obtain relief from the Imperial Government, failing which, acquiesce in the necessity to impose fresh taxation.

APPENDICES A TO F.

APPENDIX A.—(TABLES.)

TABLE XL.

RATES OF DUTY ON EXCISABLE ARTICLES (1904-05; 1914-15; 1924-25)

——	1904-05	1914-15	1924-25
Country Spirits.—	Rs. a. p.	Rs. a. p.	Rs. a. p.
Per gallon of 20° underproof and proportionately for liquors of lower strength.	4 12 0	5 4 0 (25° underproof)	5 15 3
Percent of duty to total yield	83 per cent	77 per cent	59 per cent
Opium.—			
Wholesale rate at which it is issued from Treasury (per seer of 80 tolas.)	31 4 0	37 8 0	70 0 0 Rs. 75 ordered from 1st July 1925.
Retail rate at which vendors sell to public (per seer of 80 tolas.)	37 8 0	To be fixed by the licensee.	Retail price varied from 1 6 0 to Rs. 2 per tola.
Ganja and majum.—			
Price payable to cultivators by retail dealers (per seer of 80 tolas.)	.....	....	....
Ganja	0 13 4	Duty 10 0 0 Price 1 4 0	Duty 20 0 0 Price 0 10 0
Majum do	0 5 4	Duty 1 8 0 Price 0 6 0	„ 1 4 9 „ 1 6 9
Retail rate at which vendors *sell* to the public.		.....	.....
Ganja	Seer 10 0 0	Not less than Rs. 15 per seer.	.....
Majum	„ 1 10 8	Rs. 2 1 4 a seer	Annas 10 to 12 per tola.

TABLE XLI.

RATES OF EXCISE DUTY IN FORCE AT PRESENT.

		Per gallon. Rs. a. p.
1.	Arrack.—	
	Cities (High duty area)	6 8 0
	Mofussil	5 8 0
	(High duty area includes Bangalore, Mysore and Bowringpet.)	
2.	Special Liquors.—	
	Brandy 20° U. P.	8 0 0
	Whisky 20° U. P.	...
	Gin 20° U. P.	..
	Rum 20° U. P.	..
	Milk Punch	5 0 0
3.	Tree-tax—	
	Date	2 8 0
	Cocoanut	4 8 0
	Bagani	2 4 0
	Palmyra	2 0 0
4.	Tree rent.—	
	Rs. 0-4-3 per tree to the end of June 1926, enhanced to Rs. 0-8-0 from 1st July 1926.	

TABLE XLII.

TABLE PREPARED ON THE LINES OF THE ONE FOUND ON PAGE 156, VOLUME II, APPENDICES I. T. E. REPORT (APPLICABLE TO MYSORE).

		Rs. a. p.	
1.	... ...	12 8 0	
2.	... ...	...	
	(a)	0 2 0	Subject to a minimum of Rs. 15, one anna for every Rs. 10,000 or part thereof of the value of security or share.
	(b)	...	
	(c)	0 10 0	
3.	Below Rs. 200 ...	0 4 0	(Drawn singly.)
	200— 400 ...	0 8 0	
	400— 600 ...	0 12 0	
	600— 800 ...	1 0 0	
	800— 1,000 ...	1 4 0	
	1,000— 1,200 ...	1 8 0	
	1,200— 1,600 ...	2 0 0	
	1,600— 2,500 ...	3 0 0	
	2,500— 5,000 ...	6 0 0	
	5,000— 7,500 ...	9 0 0	
	7,500—10,000 ...	12 0 0	
	10,000—15,000 ...	18 0 0	
	15,000—20,000 ...	24 0 0	

		Rs.	a.	p.	
	20,000—25,000 ...	30	0	0	
	25,000—30,000 ...	36	0	0	
	Additional 10,000 in excess of Rs. 30,000.	12	0	0	
4.	For Rs. 400 ...	3	0	0	..
	For Rs. 1,000 ...	7	8	0	...
5.	Up to Rs. 50—	0	8	0	
	200— 300 ...	3	12	0	...
	900—1,000 ...	12	8	0	...
6.	For Rs. 200 ..	1	8	0	
	400 ..	3	0	0	
7.	Without possession for Rs. 400 ..	3	0	0	
	1,000 ..	7	8	0	
8.	... ...	1	8	0	...
9.	For Rs. 1,000 ...	12	8	0	(duty payable on a conveyance).
10.	Transfer of shares ...	...			One half of the duty payable on a conveyance.

Note.—Numbers relate to the numbers given in the Indian Taxation enquiry report.

TABLE XLIII.

Expenditure of Bangalore City Municipality.

	1924-25.	Rs.	Rs.
1.	Administration	95,160	...
2.	Public safety, mainly lighting charges.	32,566	...
3.	Public works carried out by Public Works Department	1,08,583	..
4.	Public Works carried out by Civil Department	1,90,159	...
5.	Health Office	9,783	...
6.	Conservancy and Sanitation ...	1,03,203	...
7.	Medical relief (direct expenditure and *contributory*)	21,194	...
8.	Provision of markets, slaughter houses, cattle pounds and facilities for holding fairs and *festivals, etc.* ...	10,336	..
9.	Care of gardens and buildings ..	2,529	...
10.	Registration of births and deaths ...	5,427	..
11.	Public conveyances	4,383	..
12.	Sewage farms and avenues ..	1,711	...
13.	Water-supply and maintenance charges	81,775	..
14.	Education	33,413	..
15.	Contributions of Libraries and other aids to culture	Rs. 3,790	Rs. ..
16.	Poor relief	8,443	...
17.	City Improvement and Audit Charges	69,535	...
18.	Sundry items	1,875	...
	Total ...	———	7,83,865
	Public Debt Heads	..	35,158
	Total Expenditure		8,19,023

TABLE XLIV.

EXPENDITURE OF MYSORE CITY MUNICIPALITY, 1924–25.

		Rs.
1.	General Administration	51,341
2.	Public safety, mainly lighting charges ...	28,896
3.	Public works carried out by P. W. D. ...	...
4.	Do do Civil Department	1,05,816
5.	Health Office	6,235
6.	Conservancy and sanitation	69,784
7.	Medical Relief (direct expenditure and contributory)	11,886
8.	Provision of markets, slaughterhouses, cattle-pounds and facilities for holding fairs and festivals, etc.	12,379
9.	Care of gardens and buildings	2,823
10.	Registration of births and deaths ...	1,371
11.	Public conveyances	390
12.	Sewage farms and avenues	6,495
13.	Water-supply and maintenance charges ...	42,659
14.	Education	27,098
15.	Contributions to libraries and other aids to culture	...
16.	Poor relief	83
17.	Miscellaneous	1,682
18.	Other items	14,125
	Total . .	3,82,338
	Public Debt Heads ...	37,484
	Total Expenditure ...	4,19,822

TABLE XLV.

Kolar Gold Fields—Sanitary Board Area.—1924-25.

	EXPENDITURE.	Rs.
1.	Public works executed by the Public Works Department	..
2.	Public works executed by Civil Departments	8,118
3.	Administration and collection ...	7,359
4.	Conservancy and Sanitation	44,603
5.	Medical Relief	9,752
6.	Lighting charges...	4,569
7.	Accommodation for travellers ...	264
8.	Catte-pounds	697
9.	Markets and slaughter-houses... ...	4,969
10.	Market Shows	197
11.	Water-supply and Maintenance charges ...	11,941
12.	Other items	5,432
13.	Miscellaneous	25
	Total service heads ...	97,929

		Rs.
14.	Remittances	4,800
15.	Public Debt Head	22,499
	Total expenditure ..	1,25,228

TABLE XLVI.

EXPENDITURE OF CERTAIN SELECT MUNICIPALITIES IN THE STATE DURING THE YEAR 1924-25.

District head-quarters, (Bangalore and Mysore being excluded) and towns of Chennapatna, Chikballapur and Davangere.

Name of select area	Municipal population (Census 1921)	Expenditure on service heads (exclusive of Public Debt Heads)
		Rs.
Chennapatna town ..	11,846	16,809
Kolar town	13,368	20,019
Chikballapur town ...	10,431	37,736
Tumkur town	14,246	32,175
Hassan town	8,096	24,128
Shimoga town	15,090	51,122
Chikmagalur	10,207	54,047
Chitaldrug town	8,520	51,514
Davangere	16,971	55,845
Total ..	1,08,775	3,43,395
Bangalore City	1,18,556	7,83,865*
Mysore City	83,951	4,19,822†
‡Other Municipalities ...	3,47,107	5,65,076
Kolar Gold Fields Sanitary Board (District Board Area)	6,58,389 87,682	21,12,158 97,929
Grand total ...	7,46,071	22,10,087

* Expenditure on Improvement included.

† Public Debt Head not separated for want of details in Report.

‡ Other Municipalities :—

		Rs.
Bangalore District		52,631
Kolar do		66,490
Tumkur do		63,765
Mysore do		1,30,225
Hassan do		70,314
Shimoga do		61,374
Kadur do		59,302
Chitaldrug do		60,975
Total ...		5,65,076

TABLE XLVII.

Receipts—Accounts of town and Minor Municipal Councils. 1916-17.

		Rs.	Rs.
1.	Municipal rates and taxes—		
	Octroi	2,00,665	..
	Taxes on buildings and lands ..	1,18,446	...
	,, vehicles	646	...
	,, professions and trades ...	698	...
	Tolls and ferries	51,470	...
	Water-tax	1,220	...
	Lighting-tax	88	...
	Conservancy receipts... ...	...	...
	Mohatarfa—		
	(*a*) House-tax	5,107	...
	(*b*) Shop-tax	56,773	..
	(*c*) Oil-mill tax	2,898	..
	(*d*) Cart tax	17,282	...
	Other taxes	437	...
			4,58,722
2.	Realisation under Special Acts—		
	Pounds	18,512	...
	Public conveyances	93	..
	Other items	249	18,854
3.	Revenue derived from Municipal property and powers apart from taxation—		
	Rents of buildings, lands, etc. ...	3,743	..
	Sale proceeds of lands, and produce of lands, etc.	38,293	...
	Conservancy receipts (other than taxes and rates)	4,831	...
	Sale proceeds of smuggled goods ...	730	...
	Fees and revenue from educational institutions	229	...
	Fees from markets and slaughter-houses	31,774	...
	Fees from tramways	3,217	...
	Notice and warrant fees ..	821	..
	License fees	559	...
	Other fees	2,331	...
	Fines	333	...
	Interest on investments ...	1,712	...
	Land revenue and cesses ...	38	.
	Revenue from sewage farms ..	144	...
	Other items	2,083	...
			90,863
4.	Grants and contributions ...	...	26,582
5.	Miscellaneous	...	2,135
6.	Public Debt	...	54,809
Total Receipts (including Public Debt Heads) ...			6,51,965

TABLE XLVIII.

Receipts—Accounts of Town and Minor Municipal Councils, 1924-25.

		Rs.	Rs.
1.	Municipal Rates and Taxes—		
	Octroi	3,04,617	...
	Taxes on buildings and lands ...	1,65,466	...
	,, vehicles and animals ...	10,433	...
	,, professions and trades ..	33,210	...
	Tolls and ferries	73,985	...
	Water-tax	16,789	...
	Lighting tax	228	..
	Conservancy receipts... ...	...	...
	Mohatarfa—		
	(*a*) House-tax	1,880	...
	(*b*) Shop-tax	32,657	...
	(*c*) Oil-mill tax	2,282	...
	(*d*) Cart-tax	10,573	...
	Other taxes	2,148	..
			6,54,268
2.	Realisations under Special Acts—		
	Pounds	25,512	...
	Hackney-carriages	688	...
	Other items	1,028	...
			27,228
3.	Revenue derived from Municipal property and powers apart from taxation—		
	Rents of buildings, lands, etc. ...	10,510	...
	Sale proceeds of lands, and produce of lands, etc.	24,047	...
	Conservancy receipts (other than taxes and rates)	5,907	...
	Sale proceeds of smuggled goods ...	7,060	...
	Fees and Revenue from Educational institutions	10,171	...
	Fees from markets and slaughter-houses	46,422	...
	Fees from tramways	...	...
	Notice and warrant fees ...	1,174	...
	License fees from liquor shops and other licenses	926	...
	Other fees	2,993	..
	Fines	1,047	..
	Interest on investments ..	30,869	...
	Land revenue and cesses ..	3	..
	Revenue from sewage farms including amarayi	69	...
	Other items	3,716	...
			1,50,914

		Rs.
4.	Grants and contributions	8,847
5.	Miscellaneous	14,666
6.	Public Debt	1,14,071
		9,69,994
	Want of details under these heads in Kolar District and other figures	8,209
	Total receipts including Public Debt Head ..	9,78,203

Excess of expenditure over receipts—drawn from balances—10,94,832—9,78,203 *i.e.*, 1,16,629.

TABLE XLIX.

RECEIPTS—BANGALORE CITY MUNICIPALITY—1924-25.

		Rs.	Rs.
I.	Municipal rates and Buildings—		
	Octroi	1,82,933	
	Taxes on buildings and lands ...	1,14,582	
	Taxes on vehicles and animals ...	16,922	
	Taxes on professions and trades ...	...	
	Tolls and ferries	35,932	
	Water-tax	54,728	
	Lighting tax	22,093	
	Conservancy Cess (including scavenging and latrine rates) ...	24,123	
	Mohatarfa		
	(*a*) Shop-tax		
	(*b*) Oil-mill tax		
	(*c*) Cart-tax		
	Other taxes		4,51,313
II.	Realisations under Special Acts—		
	(*a*) Pounds	3,583	
	(*b*) Public conveyances ..	6,817	
	(*c*) Other items		10,400
III.	Revenue derived from Municipal property and powers apart from taxation—		
	Rents of buildings and lands ...	8,507	
	Sale of proceeds of lands and produce of lands etc.	21,659	
	Conservancy receipts (other than taxes and rates)	20,090	
	Sale proceeds of smuggled goods ..	...	
	Fees and revenue from Educational institutions	45,907	
	Fees and revenue from markets and slaughter houses	...	
	Fees and revenue from tramways ...	..	
	Notice and warrant fees	718	

			Rs.	Rs.
	License fees		3,055	
	Other fees		2,562	
	Fines		2,024	
	Interest on investments		48,260	
	Land Revenue and Cesses ...		...	
	Revenue from sewage farms ...		1,993	
	Other items		2,508	
				1,57,185
IV.	Grants and Contributions—			
	From Government		19,814	
	From District Funds		3,173	
	From other Sources		873	
				23,860
V.	Miscellaneous			2,706
	Total Service Head Receipts ...			6,45,464
VI.	Public Debt Head			2,18,731
	Total Receipts ...			8,64,195

TABLE L.

MYSORE CITY MUNICIPALITY—1924-25.

Receipts—			Rs.
1.	Octroi ...	...	1,19,248
2.	Tax on buildings and lands	..	42,255
3.	Tax on vehicles and animals	...	9,028
4.	Tolls ..	...	46,800
5.	Water-tax ...	...	25,384
6.	Lighting tax ...	..	8,030
7.	Mohatarfa ..	...	..
8.	Realisations under Special Acts	...	4,032
9.	Rents on lands and buildings	...	6,225
10.	Sale proceeds of lands etc. ...	..	1,280
11.	Markets and slaughter-houses	...	49,477
12.	Interest on investments ...	...	2,052
13.	Sewage farm ...	..	1,761
14.	Grants and contributions ...	..	40,998
15.	Refunds and Recoveries ...	..	3,248
16.	Miscellaneous ...	..	2,100
			3,61,918
	Public Debt Head	..	90,426
	Total	...	4,62,344

TABLE LI.

KOLAR GOLD FIELDS—SANITARY BOARD AREA—1924-25.

			Rs.	Rs.
Receipts—				
1.	Local Cess (including Cess on Excise Revenue)		13,472	
2.	House Tax including mohatarfa and tax on vacant lands and hittals ..		8,207	
3.	Vehicle tax		3,599	
4.	Conservancy Cess		1,222	
5.	Tolls and ferries ...			
6.	Fees and fines and miscellaneous—			
	(1) Cattle pounds	1,334		
	(2) License fees	3,498		
	(3) Market Collections	30,672		
	(4) Fees from travellers' bungalows	118		
	(5) Slaughter houses	9,500		
	(6) Rent from cooly colonies	8,265		
	(7) Rent from other buildings	2,870		
	(8) Fines under Village Sanitation Rules	192		
	(9) Other Fines	3		
	(10) Sale proceeds of lands and produce of lands	66		
	(11) Sale of manure	889		
	(12) Interest on investment	2,098		
	(13) Notice and warrant fee	28		
	(14) Interest on current a/c	112		
	(15) Market shows	84		
	(16) Other items	3,573		
			63,352	
7.	Contributions and grants-in-aid from Government		110	
	Total Service Heads ...			89,962
8.	Remittances			4,800
9.	Public Debt Head			30,769
	Total Receipts ...			1,25,531

TABLE LII.

REVENUE OF CERTAIN SELECT MUNICIPALITIES IN THE STATE DURING THE YEAR 1925.

District headquarters (Bangalore and Mysore being excluded) and Chennapattana, Chikballapur and Davangere Towns.

Name of select area	Municipal Population (Census 1921)	Revenue under Rates and Taxes	Revenue inclusive of Realisations under Special Acts and Municipal property, fees, fines etc. (interest excluded)
TOWNS.		Rs.	Rs.
Chennapatna ...	11,846	13,303	16,258
Kolar ...	13,368	16,514	20,916
Chikballapur ...	10,431	14,405	19,572
Tumkur ...	14,246	30,600	34,856
Hassan ...	8,096	14,449	22,817
Shimoga ...	15,090	42,017	52,410
Chikmagalur ...	10,207	38,347	48,452
Chitaldroog ..	8,520	24,093	29,011
Davangere ...	16,971	64,311	70,279
Total ...	1,08,775	2,58,039	3,14,571
Add—			
Bangalore City ...	1,18,556	4,51,313	5,73,344
Mysore City ..	83,951	2,50,745	3,18,868
Other Municipalities.	3,47,107	3,97,199	5,41,068
Totol ..	6,58,389	13,57,296	17,47,851
Add—			
K. G. F. Sanitary Board (District Board area.)	87,682	26,500 (Pure tax revenue)	87,754 (Miscellaneous items included)
Grand Total ..	7,46,071	13,83,796	18,35,605

TABLE LIII.

Total Revenue of Municipalities (town and Minor) and Total Population Classified under groups:—

1924-25.

POPULATION.

Group of classification	Number	Total	Average for the group
		Rs.	Rs.
Up to 5,000	72	2,15,452	2,992
5,000 to 10,000	23	1,48,271	6,447
10,000 and upwards ...	7	92,159	13,166*
Mysore City	1	83,951	...
Bangalore City	1	1,18,556	...
K. G. F. Special Area (District Board area.)	1	87,682	...

* Exclusive of cities and K. G. F. Special area.

** REVENUE.

Group of classification	Number	Total Revenue	Average for the group
Rs.		Rs.	Rs.
Up to 3,000	35	70,246	2,007
3,000 to 5,000	14	55,402	3,957
5,000 to 10,000	33	2,13,423	6,467
Over 10,000	...	...	..
(a) Shown separately as 'Select area.'	9	3,31,890	36,877
(b) Not shown separately but included in other Municipalities.	11	1,93,178	17,562
Mysore City	1	3,61,918	...
Bangalore City	1	6,45,464	...
K. G. F. Special Area (District Board area.)	1	89,962	...

** Revenue includes everything except public debt head receipts.

TABLE LIV.

DISTRICT BOARDS.—1916-17.

Receipts—				
I.	Local cesses.—		Rs.	
	Allotment from local cess on land revenue		5,65,435	
	Railway Cess		1,17,546	
II.	House-tax including mohatarfa and tax on vacant lands and hittals ...		1,37,363	
III.	Tolls and ferries		51,221	
IV.	Fees, fines and miscellaneous—			
	1. Cattle pounds	38,256		...
	2. License fees	4		...
	3. Market collections	23,661		...
	4. Cart-stand fees	...		..
	5. Fees from travellers' bungalows	3,610		...
	6. Slaughter house fees	397		..
	7, Rents from cooly colonies	...		...
	8. Rents from other buildings and lands	14		..
	9. Fines under village sanitation rules	767		..
	10. Other fines	34		...
	11. Sale proceeds of lands and other produce	2,314		..
	12. Sale of manures	2,517		...
	13. Interest on arrears of revenue	585		
	14. Interest on investments	2		...
	15. Notice and warrant fees	245		...
	16. Breeding bull receipts	...		...
	17. Revenue from railways	...		...
	18. Cattle shows	4,677		...
	19. Lapsed deposits	197		...
	20 Other items	2,369		...
			79,649	
V.	Contributions—			
	Government	7,115		...
	Municipal funds	23,234		...
	Local funds	15,500		...
	Other sources	2,410		...
			48,259	
VI.	Public Debt—			
	Loans	7,495		..
	Deposits	37,776		...
	Advances	30,827		...
	Drinking water wells	1,99,400		...
	Railway cess etc.	61,053		...
			3,36,551	
	Total Receipts ...			13,36,014

TABLE LV.

DISTRICT BOARDS.—1916-17.

		Rs.	Rs.
Expenditure—			
I.	Public works executed by P. W. D.		4,10,175
II.	Do executed by civil departments		1,36,001
III.	Administration and collection ...		67,747
IV.	Public health, safety and convenience		...
	1. Conservancy and sanitation ...	85,979	
	2. Medical relief including contributions	91,921	
	3. Lighting charges ...	1,841	
	4. Accomodation for travellers ...	27,120	
	5. Cattle pounds	9,466	
	6. Markets and slaughter houses.	...	
	7. Land acquisition ...	...	
	8. Fairs and festivals ..	300	
	9. Cattle shows and exhibitions...	4,461	
	10. Water-supply and maintenance charges	13,247	
	11. Breeding bulls	429	
	12. Railway construction ...	7,381	
	13. Other charges	973	
		—— ——	2,43,118
V.	Miscellaneous expenditure ..		5,878
VI.	Public debt—		
	Investments (Railway cess credited to investments.) ..	52,815	
	Loans	...	
	Deposits	31,983	
	Advances	1,201	
	Drinking water wells fund ...	78,747	
		——	1,64,746
	Total expenditure ...		10,27,665

TABLE LVI.

STATEMENT OF REVENUE AND EXPENDITURE.

Figures are given in Lakhs of rupees: these are taken from Financial Forecasts and Budget Estimates.

Years	Total revenue including revenue from productive works and revenue yielding capital items	Total expenditure charged to revenue including contributions to sinking fund etc. Before adjustment from Departmental balances and reserves etc.	Figures after adjustment referred to in the previous column	Details of adjustments referred to		Revenue from productive works and other revenue yielding assets.	Expenditure on account of revenue yielding capital assets, charged to revenue account only.
				Additions to departmental balances, etc.	Drawings from Departmental balances etc.		
1903-01 ...	215·58	189·44	189·44	Nil		24·32	·97
1904-05 ...	217·96	184·20	184 20	Nil		25·25	27
1905-06 ...	241·95	185·20	185·20	Nil		49·16	1.33
1906-07 ...	251·74	181·60	181·60	Nil		50·67	·65
1907-08 ...	241·41	180·74	180·74	Nil		34·07	2·22
1908-09 ...	222·72	179·00	179·00	Nil		32·87	1·41
1909-10 ...	219·59	194·06	194·06	Nil		23·06	6·92
1910-11 ...	227·85	199 14	199·14	Nil		22·95	7·38
1911-12 ...	230·59	202·51	202·51	Nil		23·52	7·21
1912-13 ...	255·82	201·92	201·92	Nil		32·94	9·93
1913-14 ...	264·85	213 02	213·02	Nil		35·06	7·86
1914-15 ...	253·18	219·83	219·83	Nil		35·14	8·35
1915-16 ...	273·97	225·26	225·26	Nil		36·62	9·50
1916-17 ..	299·06	279·45	274·98	...	4·47	33·12	29·06
1917-18 ...	315·25	298·11	313·46	26·37	6·02	61·13	32·05
1918-19 ...	294·24	326·87	294·05	4·29	37·11	46·81	34·81
1919-20 ...	313·12	348·24	312·98	8 65	44·12	58·50	38.89
1920-21 ...	313·13	344·11	327·85	...	16·26	43 00	22·35
1921-22 ...	312·05	344·27	32 ·45	...	16·82	38·34	39·98
1922-23 ...	330·71	331·48	330·48	...	1·00	44·12	51·82
1923-24 ...	332·57	339·32	332·02	...	7·30	41·38	51·72
1924-25 ...	339·62	340·67	339·36	...	1·32	45·98	54·32
1925-26 (revised)	340·05	345·28	339·81	...	5·47	42·01	55·01
1926-27 (budget).	341·71	349·39	341·71	...	8·14	54·13	54·61

TABLE LVII.

Total Revenue and expenditure of the Mysore State for the years 1903-04 to 1926-27. (Budget figures taken).

ORDINARY.

Years	In Lakhs of Rupees	
	Revenue	Expenditure
1903-04	191·27	189·07
1904-05	192·70	184·19
1905-06	192·79	185·15
1906-07	201·08	181·60
1907-08	207·32	180·73
1908-09	189·85	178·14
1909-10	196·53	187·25
1910-11	204·90	191·98
1911-12	207·07	195·47
1912-13	222·88	194·23
1913-14	229·79	205·43
1914-15	218·04	212·05
1915-16	237·25	216·66
1916-17	265·94	252·10
1917-18	254·12	262·49
1918-19	247·46	288·61
1919-20	274·63	308·68
1920-21	270·13	329·98
1921-22	273·71	304·75
1922-23	286·58	279·77
1923-24	291·20	287·57
1924-25	293·63	286·39
1925-26 (revised)	298·04	290·52
1926-27 (Budget)	287·58	294·69

N.B.—Revenue includes all items of ordinary revenue, inclusive of mining and assigned tract Revenue; expenditure, similarly, includes mining charges.

TABLE LVIII.

REVENUE OF THE BRITISH INDIAN PROVINCES.

Figures denote actuals for 1924-25.

Heads of Revenue	Madras	Bombay	Bengal	U. P. (Agra & Oudh)	Punjab	Burma	Federated Shan states
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Taxes on income ...	1,56,810	..	..	..	1,90,046	5,89,575	..
Land Revenue ..	7,40,19,608	5,16,52,816	3,10,73,587	6,71,08,533	*4,76,38,978	5,71,39,227	5,31,097
Excise	4,90,14,108	4,42,98,054	2,15,07,342	1,30,49,675	1,18,95,442	1,16,09,525	7,959
Non-judicial stamps ..	97,76,473	97,84,920	1,22,64,641	38,19,967	39,01,369	30,08,516	..
Judicial stamps ..	1,43,74,801	80,21,564	2,14,03,115	1,36,20,064	77,60,008	32,36,469	..
Forest	55,73,761	73,07,964	24,75,529	69,21,987	37,27,312	1,81,84,905	14,92,920
Registration.. ..	37,89,967	12,49,112	25,84,520	12,49,102	8,83,394	5,80,337	127
Scheduled taxes ..	..	9,03,407	21.51,934	..	..	..	...
Total Revenue-Provincial.	16,27,59,032	14,99,17,671	10,34,42,000	12,40,13,825	11 53,56,000 (1,82,31,882*)	10,51,60,194	45,31,633

Heads of Revenue	Bihar and Orissa	Central Provinces	Assam	Coorg
Taxes on income	2,54,519	2,80,522	5,54,226	...
Land Revenue	1,67,57,975	2,25,72,027	1,05,13,655	3,56,130
Excise	1,75,99,496	1,50,43,703	65,95,938	3,47,949
Non-judicial stamps	20,23,428	24,27.800	6,91,492	28,348
Judicial Stamps	80,19,470	44,06,540	13,73,920	58,706
Forest	10,70,267	52.32,632	24,78,756	6,68,039
Registration	13,73,832	6,78,535	1,86,750	6,642
Total Revenue-Provincial ...	5,70,53,458	5,47,91,167	2,45,50,000	15,16,488

* Amount to be credited to Irrigation works in the Punjab Rs. 1,82,31,882.

Note.—Major Heads of Revenue are shown separately.

TABLE LIX.

REVENUE AND EXPENDITURE OF ACCOUNTS FOR 1924-25.

(*a*) *Central Provinces.*
(*b*) *Travancore.*
(*c*) *Mysore.*

Revenue			Budget Heads	Expenditure			Remarks
Central Provinces	Travancore	Mysore		Mysore	Travancore	Central Provinces	
Rs.	Rs.	Rs.	PRINCIPAL HEADS.	Rs.	Rs.	Rs.	
2,25,72,027	43,26,930	1,20,95,196	Land revenue	28,47,375	10,75,786	23,80,107	
52,32,632	13,52,888	34,37,903	Forest	11,33,483	7,60,792	31,42,213	
1,50,43,703	45,57,505	66,43,274	Excise	3,99,931	8,91,569	7,44,318	
2,30,522	7,89,272	19,37,797	Income-tax, etc.	78,517	17,050	...	
68,34,340	25,11,948	19,42,086	Stamps	80,452	70,262	2,52,616	
6,78,535	7,41,699	3,38,958	Registration	1,51,661	2,64,859	2,34,780	
..	16,81,193	...	Salt	...	92,756	...	
...	26,67,733	...	Customs	...	79,684	...	
5,05,91,759	1,86,29,168	2,63,95,194	Total ...	46,91,419	27,52,758	67,54,034	
...	...	5,25,406	Surplus Revenue of assigned Tract	...	...	...	
...	...	13,65,069	Mining Revenue	2,08,939	...	...	
3,30,303	4,96,027	7,52,717	Interest (Debt Head)	53,41,878	4,41,341	2,41,449	Sinking Fund Included.
...	15,988	...	Palace	26,27,527	13,28,486	...	
			CIVIL ADMINISTRATION.				
...	...	...	General administration	13,64,100	4,20,868	65,26,818	*Devaswoms.
...	...	..	Muzrai institutions	3,48,691	*4,19,222	...	
68,637	46,480	19,958	Scientific and miscellaneous departments ...	99,032	1,21,771	1,22,839	
5,30,761	22,606	60,526	Pensions and allowances for superannuation ...	12,96,991	6,86,646	21,59,110	
47,542	33,251	1,01,775	Stationery and printing	3,41,100	2,84,289	4,72,390	
6,18,682	1,12,899	1,94,842	Miscellaneous	70,262	1,16,828	8,09,480	
12,65,622	2,15,236	3,77,101	Total ...	35,20,176	20,49,624	1,00,90,132	

			PROTECTION.			
5,66,959	1,02,685	57,860	Courts of law (Administration of justice) ...	10,07,520	10,52,335	30,23,436	
2,87,959	13,125	2,283	Jails	1,46,972	86,635	9,35,591	
1,87,820	30,912	35,657	Police	15,41,298	5,47,443	56,77,518	
1,04,282	18,547	57,321	Medical	9,93,848	8,40,820	12,20,510	
61 178*	...	20,220	Sanitation and Vaccination	89,716	...	2,75,828*	*Classed as Public health.
12,08,198	1,65,269	1,73,341	Total ...	37,79,404	25,27,233	1,11,32,883	
			PUBLIC WORKS CHARGED TO REVENUE.			
...	...	...	Irrigation works	8,20,100	2,18,578	26,26,944	
...	...	...	Civil works	19,55,763	29,56,076	64,23,368	
...	...	...	Maramath works	...	2,09,450	...	
4,47,291	2,60,743	1,44,993	Total ...	27,75,8 3	33,84,104	90,50,312	
			MORAL AD MATERIAL DEVELOPMENT.			
4,75,587	7,82,069	1,90,183	Education	44,61,215	37,18,023	48,93,106	
3,29,515	34,598	1,15,965	Agriculture	8,11,470	*1,95,561	13,77,753	*Includes fisheries.
19,897	21,396	7,806	Industries and Commerce	1,47,946	1,40,720	2 19,425	
...	...	...	Economic Development	...	..	...	
...	...	...	Co-operative societies	1,04,116	...	...	
8,24,999	6,38,063	3,13,954	Total ...	55,24,747	40,54,304	64,90,284	
			ARMY AND DEFENCE.			
...	1,307	68,853	Army	16,75,508	5,19,436	...	
*32,246	...	...	Subsidy	35,00,000	8,10,653	22,56,957*	*Provincial contributions and adjustments.
32,246	1,307	68,853	Total ...	51,75,508	13,30,089	22,56,957	

Revenue			Budget Heads	Expenditure			Remarks
Central Provinces	Travancore	Mysore		Mysore	Travancore	Central Provinces	
Rs.	Rs.	Rs.	COMMERCIAL SERVICES, ETC.	Rs.	Rs.	Rs.	
...	2,51,694	17,21,183	Railways-Revenue Account	...	...	...	
90,749 (Irrigation)	1,10,524	29,06,193	Krishnaraja Sagara-Electric and Irrigation Works.	...	...	...	
*(Anche)	18,359	—7,81,714	Industrial and other works	...	...	...	
...	...	...	Miscellaneous Railway and Electric expenditure.	4,065	...	...	
...	...	...	Irrigation and Anche (Capital Account) ...	...	—22,191	...	
...	...	...	Famine Relief and Insurance	86,100	...	37,84,096	
...	...	...	Local Self-Government Grants	3,32,368	...	...	
...	...	...	Political (including pensions and miscellaneous political expense.)	...	2,28,512	...	
...	...	...	Special Reserves for non-recurring expenditure.	...	...	...	
...	...	...	Deduct expenditure met from Reserves ...	—1,32,124	...	...	
...	...	...	Contribution to Devaswom fund	...	16,00,000	...	
...	...	...	Extraordinary charges—expenditure in England.	...	...	12,82,455	
5,47,91,167	(a) 2,10,67,565	3,39,62,290	Total expenditure (Revenue) ...	3,39,35,870	2,00,40,129(a)	5,10,82,512	
...	...	...	Surplus or Deficit	26,420	10,27,436	37,08,655	
5,47,91,167	2,10,67,565	3,39,62,290	Grand Total ...	3,39,62,290	2,10,67,565	5,47,91,167	

(a) Travancore derives income from:—

Rs.		Expenditure on:—(Travancore). Rs.
40,814	Ports	27,862
2,136	State charities	3,32,710
22,207	Currency and Mint	5,300

TABLE LX.

SIR A. R. BANERJI'S FORECAST (Normal Revenue and Service Expenditure).

Triennium from 1922-23.

Revenue.

	Sir A. R. Banerji's Forecast (1925-26) Lakhs of Rs.	Revised estimates for 1925-26 Lakhs of Rs.
Normal Revenue—		
Land Revenue	123	123
Forest	33	37
Excise	70	64
Income and Miscellaneous taxes.	14	21
Stamps	22	20
Registration	3	3·5
Receipts of service Departments.	9	12
Improvements under other heads	3	...
Total ...	277	281

Expenditure.

Service Expenditure—		
Direct demands on Revenue ...	48	47
Palace	24	26
Civil Administration	34	36·7
Protection	40	37·5
Public Works	23	27·9
Moral and Material Development	50	56
Local Self-Government ...	3	4
Army and Defence ...	53	51·5
Reduction in expenditure ...	—7	...
Miscellaneous Railway and Electric expenditure	...	·033
Total ...	268	288

N.B.—Figures for 1925-26 are according to revised estimates.

TABLE LXI.

SIR A. R. BANERJI'S FORECAST (Revenue other than Normal.)

1925-26 (Revised Estimates) Lakhs of Rs.			Sir A. R. Banerji's Forecast (1925-26) Lakhs of Rs.	
37		A. Forest	33	
12·4		B. Mining Revenue ...	13	
4·4		B. Assigned Tract Revenue ...	...	
7·4		C. Interest	9	
18·2		C. Railways (Net) ...	13	
24·3		C. Krishnarajasagara and Electrical works	33	
—8·0		C. Industrial and other works ...	3	
		Total		
37		A	33	
16·8	95	B	13	104
42·0		C	58	
244 *i.e.*, 281-37		Normal Revenue excluding Forests.	244 *i.e.*	277-33
340·0		Grand total ...	348	

TABLE LXII.

SIR A. R. BANERJI'S FORECAST (Expenditure other than Service.)

1925-26 Revised Estimates Lakhs of Rs.		Sir A. R. Banerji's Forecast (1925-26) Lakhs of Rs.
2·1	Charges against mining revenue ..	2
...	Surplus (Mining Capitalisation Funds)	11
54·7*	Interest on Loans and sinking funds 54	
	Deduct contributions from Sterling Railway loan sinking fund .. .. —11	43
...	Industrial Development Reserve ...	1½
	Irrigation Capital	13½
288·3	Service expenditure	276½
345·2	Total	347½
5·4	(Expenditure met from Reserves). Surplus ...	½
339·8	(Charged to Revenue.)	
·2	(Surplus).	
340·0		348

*Five lakhs shown under capital receipts separately.

Note that the surplus shown in the Revised Estimates for 1925-26 is arrived at after showing expenditure from Reserves and without provision for the Reserves shown in Sir A. R. Banerji's Forecast.

It may be also noted that the year under consideration shows an expenditure of 30·56 lakhs under the head of capital outlay not charged to Revenue viz., Railways and Tramways, Krishnarajasagara Works, Cauvery Power Works, Industrial and other works, which is exclusive of 27·9 lakhs shown under the head of Public Works in the Revenue Account. Similarly it may be urged that a sum of Rs. 5 lakhs has been shown under capital receipts under the head of "Interest on Mysore Railway Loan Sinking Fund Investment." This is not shown as a deduction from the expenditure shown under the head of Interest on Loans and Sinking Funds.

TABLE LXIII.

Revenue of the Mysore State as shown in the Budget Estimates from 1903-04 to 1926-27

	1903-04	1904-05	1905-06	1906-07	1907-08	1908-09	1909-10	1910-11
1	2	3	4	5	6	7	8	9
	Rs.	R.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land Revenue	97,99,989	96,63,976	91,02,029	1,00,31,178	1,03,80,180	89,15,679	1,03,28.000	1,05,09,000
Forest	15,96,121	19,24,167	20.90,663	19,16,319	22,76,716	18,03,091	18,5 000	20.91,000
Excise	37,24,397	38,15,742	38,43,699	39,76,980	41,83,400	43,63,383	41,63,000	41,72,000
Income and Miscellaneous Taxes.	2,58,834	3,06,140	3,24,432	3.29,650	3,16,444	2,43,615	3,02,000	3,06,000
Stamps	7,36,228	7,15,833	7,88,352	7,58,283	7,98,805	8,47,909	7,88,000	7,97,000
Registration	1,11,985	1,18,498	1,57,832	1,43,640	1,49,489	1,71,947	1,60,000	1,62,000
Assigned Tract Revenue ...	...	...	...	...	...	...	...	...
Mining Revenue	18,33,804	17,05,113	17,91,877	16,46,914	15,82,978	15,96,475	16,11,000	17,99.000
Interest	62,968	85,078	95,570	99,828	1,76,901	1,14,753	6,32,000	7,99,000
Scientific and Miscellaneous Depts.	52.878	45,896	68,436	75,184	75,187	82,334	10,000	13,000
Pensions and allowances ...	...	...	...	...	...	...	3,000	3,000
Stationery and Printing ...	6,474	6,430	11,537	9,996	9,258	8 990	9,000	17,000
Miscellaneous	2,40,002	1,30,950	1,74,873	1,50,559	1,51,195	1,39,029	1 10,000	1.62,000
Courts of Law	50,144	49,590	52,793	52,830	44.453	44,324	30,000	32,000
Jails	27,108	27,564	21,786	24,062	24,980	23,663	3.000	3,000
Police	62,551	21,138	24,480	36,433	23.071	15,376	1,000	6,000
Medical	72,018	1,31,788	1,02,600	81,183	1,87,880	92,270	7,000	5,000
Sanitation and Vaccination ..	...	...	...	...	...	...	5,000	5,000
Civil Public Works	39,650	74,749	2,40,618	3,29,966	4,01,387	4,34,870	71,000	2,05,000
Economic Conferenee and Co-operative Societies.	...	...	...	...	...	...	...	...
Education	1,03,863	1,12,932	1,21,135	1,29,841	1,34,899	1,31,332	88,000	87,000
Agriculture		(Included under Scientific and Miscellaneous Departments					94,000	78,000
Industries and Commerce ...	...	...	...	...	...	...	...	...
Army	46,058	40,086	29,901	28,057	31,390	65,714	12,000	38,000
Railways (Net Receipts) ...	7,05,937	9,76,215	26,18,748	26,92,784	9,42,073	9,73,935	5,28,000	8,42,000
Irrigation Works—Krishnaraja Sagara.	...	...	...	...	...	...	...	...
Electrical Works	14,71,220	11,45,017	19,09,456	20,11,555	17,58,346	17,46,295	9,35,000	9,75,000
Industrial and other Works ...	...	...	...	...	...	...	2,11,000	1,79,000
Customs	3,52,589	3,63,873	3,25,550	3,67,677	2,451	98	...	...
Salt	21,070	16,402	11,411	18,638	10,176	4,902	...	...
Profit or Loss— Mysore Surplus Investment account.	1,91,537	3,16,976	2,92,350	2,62,014	5,29,635	4,51,883	...	...
Total ...	2,15,58,422	2,17,96,483	2,41,95,143	2,51,73,601	2,41,40,694	2,22,71,867	2,19,59,000	2,27,85,000

Mysore State—Budget Estimate—*contd.*

	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17	1917-16	1918-19
	10	11	12	13	14	15	16	17
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land Revenue	1,01,82,000	1,03,28,000	1,03 76,000	1,00,25,000	1,01,76,000	1,68,82,000	1,97,35,000	99,50,588
Forest	22,04,000	32,93,000	33,96,000	22,61,000	32,73,000	44,96,000	44,43,000	32,10,566
Excise	41,47,000	47,45,000	51,61.000	54,85,000	56,66,000	59.22,000	62,26,000	66,90,844
(In-come) and Miscellaneous Taxes.	2,98,000	2,87,000	2,91,000	2,79,000	2,86,000	3,03,000	35,000	32,519
Stamps	8,85,000	9,05,000	10,29,0	10,44,000	11,00,000	11,51,000	12 35,000	12,71,666
Registration	1,84,000	1,79,000	2,07,000	2,02,000	2,09,000	2,27,000	2,38,000	2,45,384
Assigned Tract Revenue ...	...	...	...	...	1,10,000	19,02,000	...	9,27,848
Mining Revenue	19,02,000	19,21,000	18,89,000	18,75,000	20,00,000	17,60,000	16,24,000	14,46,274
Interest	5,61,000	11,86,000	14,97,000	15,57,000	10,57,000	8 12,000	13,53,000	9,11,776
Scientific and Miscellaneous Depts.	10,000	10,000	11.000	17.000	11.000	23,000	16,000	19,681
Pensions and allowances ...	6,000	2,000	3,000	3,000	5,000	17,000	19,000	15,782
Stationery and Printing ...	10,000	8,000	14,000	13,000	19,000	21,000	37,000	26,099
Miscellaneous	1,32,000	1,01,000	1,26,000	1 22,000	1,18,000	2,57,000	1,64,000	2,23,087
Courts of Law	36,000	46,000	38,000	45,000	52,000	42,000	43,000	43,074
Jails	2,000	2,000	2,000	5,000	2,000	9,000	10,000	2,780
Police	2,000	2,000	3,000	4,000	4,000	7,000	6,000	6,655
Medical	6,0 0	7,000	5,000	10,000	20,000	22,000	66,000	31,491
Sanitation and Vaccination ...	6,000	7,000	11,000	5,000	6,000	5,000	5,000	4,957
Civil Public Works	1,42,000	1,49,000	1,05,000	1,20,000	1,08,000	1,22,000	1,54,000	1,82,606
Economic Conference and Co-operative Societies.	...	...	...	...	...	...	...	...
Education	96,000	1,14,000	1,29,000	1,68,000	1,86,000	1,92,000	2,41,000	2,36,286
Agriculture	89,000	1,16,000	1,17,000	75,000	85,000	90,000	73,000	1,22,881
Industries and Commerce ...	...	...	1,000	1,000	1,000	6,000	9,000	6,822
Army	68,000	66,000	65,000	50,000	58,000	36,000	33,000	46,368
Railways (Net Receipts) ...	6,26,000	9,09,000	8 87,000	7,86,000	10,06,000	11,23 000	14,28,000	14,86,546
Irrigation Works—Krishnaraja Sagara.	...	...	...	...	3,31,000	3,61,000	3,73,000	3,23,697
Electrical Works	10,41,000	10,67,000	9,77,000	10.38,000	11,62,000	12,32,000	14 07,000	13,28,558
Industrial and other works ...	1,24,000	1,3 ,000	1,45,000	1,33'000	1,06,000	53,000	15,47,000	5,48,764
						—(2,69,000)		
Customs	...	...	...	...	...	...	...	...
Salt	...	...	...	...	...	...	...	..
Profit or Loss—								
Mysore Snrplus Investment Account.	...	...	...	...	...	...	...	...
Total ...	2,80,59,000	2,55,82,000	2,64,65,000 [30,00,000] Extraordinary Receipts	2,53,18,000 [9,23,000]	2,73,97,000	2,99,04,000	3,15,25,000	2,94,28,629

Mysore State--Budget Estimate—*concld.*

	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25	1925-26 (Revised)	1926-27 (Budget)
	19	20	21	22	23	24	25	26
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land Revenue	1,16,78,449	1,08,29,523	1,15,62,748	1,18,42,112	1,13,24,688	1,20,95,196	1,23,03,000	1,25,03,000
Forest	42,06-048	32,31,623	22,19,052	26,53,358	36,18,568	34,37,903	37,09,000	33,68,000
Excise	72,44,770	77,22,415	76,02,198	71,51,520	70,19,285	66,43,274	64,00,000	62,50,000
(Income) and Miscellaneous Taxes.	44,730	8,10,927	15,66,228	14,71,900	17,59,340	19,37,797	21,00,000	17,50,000
Stamps	16,08,605	15,69,691	16,08,076	17,64,240	18,60,633	19,42,066	20,25,000	20,25,000
Registration	3,30,687	3,10,031	3,15,026	3,10,019	2,97 105	3,38,958	3,50,000	3,50.000
Assigned Tract Revenue ...	...	...	...	10,47,718	6,03,482	5,25,406	4,42,000	3,50,000
Mining Revenue	12,44,160	14,82,321	16,09 880	15,05,030	14,90,775	13,65,069	12,46,000	12,33,000
Interest	13,34,157	10,64,103	11,63,207	6,96,398	8,19,032	7,52,717	7,42,000	8,10,000
Scientific and Miscellaneous Depts.	13,617	18,364	14,662	15,281	24,974	19,958	14 000	13,000
Pensions and allowances ...	23,435	15,612	22,086	28,432	42,617	60,526	49,000	50,000
Stationery and Printing ...	38,153	51,795	1,07,341	83,793	1,08,383	1,01,775	50,000	50,000
Miscellaneous	2,13,914	3,32,011	1,14,301	1,94,495	3,77,270	1,94,842	4,87,000	1,56,000
Courts of Law	60,914	49,512	49,355	41,962	48,863	57,860	39,000	50,000
Jails	1,663	3,175	5,129	6,378	6,857	2,283	4,000	4,000
Police	6,353	9,823	8,626	15,574	22,958	35,657	47,000	48,000
Medical	35,377	31,011	36,112	49,226	59,372	57.321	34.000	34,000
Sanitation and Vaccination ...	4,759	3,173	8,057	11,483	14,762	20,220	21,000	21,000
Civil Public Works	1 26,456	1,26,244	1,36,918	1,11,991	99,795	1,44,993	1,19,000	1,40,000
Economic Conference and Co-operative Societies.	446	288	110	1,865	...	...	...	...
Education	3,06.180	1,92,576	1,71,741	1,79,210	1,73,374	1,90,183	1,85,000	1,97,000
Agriculture	1,94,395	1,09,190	82,815	84,575	89,318	1,15,965	1,22,000	1,12,000
Industries and Commerce ...	11,922	19,536	19,223	4,021	2,397	7,806	10,000	10 000
Army	67,489	94,113	1,11,777	84,112	74,360	68,853	48,000	44,000
Railways (Net Receipts) ...	18,06,996	10,90,909	6,30,739	10,17,122	12,12,846	17,21,183	18,28,000	18,92,000
Irrigation Works Krishnaraja Sagara.	3,16,564	3,69,003	5,06,368	6,27,951	28,74,584	29,06,193	24,38,000	26,41,000
Electrical Works	8,47,883	13,43,608	19,51,579	21,27,693	Krishnaraja	Sagara Irrigation	and Hydro-	Electric Works
Industrial and other Works ...	—4,57,896	4,32,158	—4,17,915	—56,695	—7,68,876	—7,81,714	—8,07,000	70,000
Customs	...	...	...	...	...	...	...	...
Salt	...	...	...	...	...	...	...	...
Profit or Loss— Mysore Surplus—Investment Account.	...	...	...	...	...	...	..	...
Total ...	3,13,12,256	3,13,12,665	3,12,05,389	3,30,70,534	3,32,57,262	3,39,62,290	3,40,05,000	3,41,71,000

TABLE XLIV.

TABLE SHOWING REVENUES OF THE STATE FROM 1903-04 TO 1926-27 TAKEN FROM BUDGET ESTIMATES) UNDER CLASSIFIED HEADS (*a*), (*b*) AND (*c*). In thousands of Rupees.

——	1903-04	1904-05	1905-06	1906-07	1907-08	1908-09	1909-10	1910-11	1911-12	1912-13	1913-14	1914-15
1	2	3	4	5	6	7	8	9	10	11	12	13
(*a*) Land Revenue ...	98,00	96,64	91,02	1,00,31	1,03,80	89,16	1,03,28	1,05,09	1,04,82	1,03,28	1,03,76	1,00,25
Forest ...	15,96	19,24	20,91	19,16	22,77	18,03	18,58	20,91	22,04	32,93	33,96	22,61
Excise ...	37,24	38,16	38,44	39,77	41,83	43,63	41,63	41,72	41,47	47,45	51,61	51,85
Income and miscellaneous Taxes.	2,59	3,06	3,24	3,30	3,16	2,44	3,02	3,06	2,98	2,87	2,91	2,79
Stamps ...	7,36	7,16	7,88	7,58	7,98	8,48	7,88	7,97	8,85	9,05	10,29	10,44
Registration ...	1,12	1,18	1,58	1,44	1,49	1,72	1,60	1,62	1,84	1,79	2,07	2,02
Revenue from Service Departments.	6,92	6,41	8,43	9,18	10,34	10,38	4,48	6,54	6,05	6,30	6,30	6,33
Salt ...	21	16	11	19	10	5	...	...	...	...	...	...
Customs ...	3,53	3,64	3,26	3,68	2	·09	...	...	...	...	...	...
Total ...	1,72,93	1,75,65	1,74,67	1,84,61	1,91,49	1,73,89	1,80,42	1,86,91	1,88,05	2,03,67	2,10,90	1,99,29
(*b*) Assigned Tract Revenue.	...	...	...	...	...	..	...	...	...	...	...	...
Mining Revenue ...	18,31	17,05	17 92	16,47	15,83	15,96	16,11	17,99	19,02	19,21	18,89	18,75
Interest ...	63	85	96	1,00	1,77	1.15	6,32	7,99	5,61	11,86	14,97	15,57
Profit or loss—Mysore Surplus Investment account.	1,92	3.19	2,52	2,62	5,30	4,52	...	...	...	...	...	...
Total ...	20,89	21,09	21,80	20,09	22,90	21,63	22,43	25,98	24,63	31,07	33,86	34,32
(*c*) Railways (Net Receipts).	7,06	9,76	26,19	26,98	9 42	9,74	5,28	3,42	6,26	9,09	8,87	7,86
Irrigation Works—K. R. Sagar.	...	...	...	...	...	...	...	...	...	...	...	...
Electrical Works ...	14,71	11,45	19,09	20,12	17,58	17,46	9,35	9,75	10,41	10,67	9,77	10,38
Industrial and other Works.	...	...	...	...	...	...	2,11	1,79	1,24	1,32	1,45	1,33
Total ...	21,77	21,21	45,28	47,05	27,00	27,20	16,74	14,96	17,91	21,08	20,09	19,57

Revenues of the State—Budget Estimates—*contd.*

In thousands of Rupees.

—	1915-16	1916-17	1917-18	1918-18	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25	(Revised) 1925-26	(Budget) 1926-27
	14	15	16	17	18	19	20	21	22	23	24	25
(*a*) Land Revenue ...	1,04,76	1,08,83	1,07,35	99,51	1,16,78	1,08,30	1,15,63	1,18,42	1,13,25	1,20,95	1,23,03	1,25,03
Forest ...	32,73	44,97	44,43	32,11	42,06	32,32	22,19	26,53	36 19	34,38	37,09	33,68
Excise ...	55,06	59,22	62,26	66,91	72,45	77,22	76,02	71,52	70,19	66,43	64,00	62,50
Income and miscellaneous Taxes.	2,86	3,03	35	33	45	8,11	15,66	14,72	17,60	19,38	21,00	17,50
Stamps ...	11,00	11,51	12,35	12,72	16,09	15,70	16,08	17,64	18,61	19,42	20,25	20,25
Registration ...	2,09	2,27	2,38	2,45	3,31	3,10	3,15	3,10	2,97	3,39	3,50	3,50
Revenue from Service Departments.	6,75	8,48	8,76	9,69	11,05	10,56	8,88	9,12	11,45	10,78	12,29	9,29
Salt ...	...	...	...	...	...	...	...	...	...	...	...	...
Customs ...	...	...	...	...	...	...	...	...	...	...	...	...
Total ...	2,16,25	2,38,31	2,37,88	2,23,72	2,62,19	2,55,31	2,57,61	2,61,05	2,70,26	2,74,73	2,81,16	2,71,75
(*b*) Assigned Tract Revenue.	1,10	10,02	...	9,28	...	...	...	10,48	6,03	5,25	4,42	3,50
Mining Revenue ...	20,00	17,61	16.24	14,46	12,44	14,82	16,10	15,05	14,91	13,65	12,46	12,33
Interest ...	10,57	8,12	13,58	9,92	13,34	10,64	11,63	6,96	8,19	7,53	7,42	8,10
Profit or loss—Mysore Surplus Investment account.	...	...	...	...	...	...	..	...	...	...	...	...
Total ...	31,67	35,75	29,82	33,66	25,78	25,46	27,73	32,49	29,13	26,43	24,30	23,93
(*c*) Railways (Net Receipts).	10,06	11,23	14.28	14,87	18,07	10,91	6,31	10,17	12,13	17,21	18,28	18,92
Irrigation Works—K. R. Sagar.	3,31	3,61	3,73	3,24	3,19	3,69	5,06	6,28	...	...	...	...
Electrical Works ...	11,62	12,32	14,07	13,29	8,48	13,44	19,52	21,28	28,75	29,06	24,38	25,41
Industrial and other Works	1,06	53	15,47	5,49	—4,58	4,32	—4,18	—57	—7,69	—7,82	—8,07	70
		—2,69										
Total ...	26,05	25,00	47,55	36,89	25,16	32,36	26,71	37,16	33,19	38,45	34,59	46,03

Revenues of the State—Budget Estimates—*concld.*

In thousands of Rupees.

—	1903-04	1904-05	1905-06	1906-07	1907-08	1908-09	1909-10	1910-11	1911-12	1912-13	1913-14	1914-15
1	2	3	4	5	6	7	8	9	10	11	12	13
Totals—												
(*a*) ...	1,72,93	1,75,65	1,74,87	1,84,61	1,91,49	1,73,59	1,80,42	1,86,91	1,88.05	2,03,67	2,10,90	1,99,29
Add Assigned Tract Revenue and Mining but not interest.	18,34	17,05	17,92	16,47	15,83	15,96	16,11	17,99	19,02	19,21	18,89	18,75
(*b*) ...	20,89	21,09	21,80	20,09	22,90	21,63	22,43	25,98	24,63	31.07	33,86	34,32
(*c*) ...	21,77	21,21	45,28	47,05	27,00	27,20	16,74	14,96	17,91	21,08	20,09	19,57
Total Revenue (i) excluding Forest Mining and Assigned Tract Revenues	1'56,97	1,56,41	1,53,96	1,65,45	1,68,72	1,55,86	1,61,84	1,66'00	1,66,01	1,70,74	1,76,94	1,76,68
(ii) including Mining and Assigned tract Revenue.	1,91,27	1,92,70	1,92,79	2,01,08	2,07,32	1,89,85	1,96,53	2,04,90	2,07,07	2,22,88	2,29,79	2,18,04
Grand Total ...	2,15,58	2,17,96	2,41,95	2,51,74	2,41,40	2,22,72	2,19,59	2,27,85	2,30,59	2,55,82	2,64,85	2,53,18

—	1915-16	1916-17	1917-18	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24	1924-25	(Revised) 1925-26	(Budget) 1926-27
	14	15	16	17	18	19	20	21	22	23	24	25
Totals—												
(*a*) ...	2,16,25	2,38,31	2,37,88	2,28,72	2,62,19	2,55,31	2,57,61	2,61,05	2,70,26	2,74,73	2,81,16	2,71,75
Add Assigned Tract Revenue and Mining but not interest.	21,10	2,763	16,24	23,74	12,44	14,82	16,10	25,53	20,94	18,90	16,88	15,83
(*b*) ...	81,67	35,75	29,82	33,66	25,78	25,46	27,73	32,49	29,13	26,43	24,30	23,93
(*c*) ...	26,05	25,00	47,55	36,89	25,16	32,36	26,71	37,16	33,19	38,45	34,59	46,03
Total Revenue (i) excluding Forest, Mining and Assiged tract Revenue.	1,83,52	1,93,34	1,93,45	1,91,61	2,20,13	2,22,99	2,35,42	2,34,52	2,34,07	2,40,35	2,44,07	2,38,07
(ii) including Mining and Assigned tract Revenues.	2,37,35	2,65,94	2,54,12	2,47,46	2,74,63	2,70,13	2,78,71	2,86,58	2,91,20	2,93,63	2,98,04	2,87,58
Grand Total ...	2,73,97	2,99,06	3,15,25	2,94,27	3,13,13	3,13,13	3,12,05	3,30,70	3,32,58	3,39,62	3,40,05 (Revised)	3,41,71 (Budget)

TABLE SHOWING REVENUE EXPENDITURE OF THE STATE FROM 1903-04 TO 1926-27.
(FIGURES TAKEN FROM BUDGET ESTIMATES.)

TABLE LXV.

[Actuals : In thousands of Rupees.

—	1903-04	1904-05	1905-06	1906-07	1907-08	1908-09	1909-10	1910-11	1911-12	1912 13	1913-14	1914-15
1	2	3	4	5	6	7	8	9	10	11	12	13
Direct demand on revenue	19,26	21,07	21,94	21,68	21,50	21,83	30,86	31,08	30,84	29,93	33,30	35,25
Palace	18,40	19,40	19,40	19 40	19,40	19,40	19,40	23,40	23,22	23,22	22,93	23,27
Civil administration	34,53	31,10	33,15	32,48	31,50	32,29	23,45	25,35	26,21	24,91	27,70	24,62
Protection	22,31	22,51	23,33	24,04	22,47	24,04	22,97	23,32	23,31	23,78	25,25	25,95
Public works	39,27	35,16	31,15	28,04	23,64	22,76	25,24	23,93	25,40	24,66	24,97	25,77
Moral and material development	6,45	6,57	6,49	6,71	12,17	8,70	12,28	12,24	13,29	14,94	17,96	21,54
Local self-government	...	...	...	...	...	...	2,73	2,60	2,33	47	2,83	4,95
Army and defence	48,21	48,11	48,41	48,63	47,84	48,58	48,69	48,54	49,25	48,56	49,10	48,47
Miscellaneous railway and electric expenditure ...	61	27	1,28	65	2,22	55	11	12	17	2,24	—23	57
A. Total revenue expenditure excluding the following items—	1,89,07	1,84,19	1,85,15	1,81,60	1,80,73	1,78,14	1,85,73	1,90,58	1,94,02	1,92,71	2,03,81	2,10,39
(1) Charges against Mining Revenue (2) Interest on loans and other obligations, (3) Contributions to special reserves for non-recurring expenditure (4) Famine relief and insurance	...	...	...	...	...	...	1,52	1,40	1,45	1,52	1,62	1,66
B. Total revenue expenditure after adding item (1) *i.e.*, charges against Mining Revenue ...	1,89,07	1,84,19	1,85,15	1,81,60	1,80,73	1,78,14	1,87,25	1,91,98	1,95,47	1,94,23	2,05,43	2,12,95
Deduct the following items of expenditure—												
Forests and subsidy	40,23	41,47	42,89	41,59	41,64	42,62	42,72	41,93	42,14	41,96	44,07	46,79
Palace	18,40	19,40	19,40	19,40	19,40	19,40	19,40	23,40	23,22	23,22	22,93	23,27
Total to be deducted from total A ...	58,63	60,87	62,29	60,99	61,04	62,02	62,12	65,33	65,36	65,18	67,00	70,06
C. Net revenue expenditure after deduction of the above items	1,30,44	1,23,32	1,22,86	1,20,61	1,19,69	1,16,12	1,23,61	1,25,25	1,28,66	1,27,53	1,36,81	1,40,33

Revenue Expenditure of the State—*concld.*

Actuals: In thousand of Rupees.

—	1915-16	1916-17	1917-18	1918-19	1919-20	1920-21	1921-22	1922-23	1923-24	1925-25	1925-26 Revised	1926-27 (Budget)
	14	15	16	17	18	19	20	21	22	23	24	25
Direct demand on revenue	33,55	34,68	36,42	39,44	43,26	50,29	47,77	49,08	53,11	46,91	47,49	47,40
Palace	23,50	23,50	26,50	23,50	23,50	23,50	23,50	23,5	26,50	26,28	26,10	26,10
Civil administration	25,23	27,53	30,43	32,86	49,25	39,94	40,34	37,75	39,57	35,20	36,76	37,00
Protection	25,53	26,56	27,96	34,01	33,45	41,42	39,51	37,05	36,93	37,79	37,51	38.87
Public works	27,32	34,20	31,24	37,60	36,19	37,17	31,09	26,31	24,97	27,76	27,98	25,77
Moral and mateaial development	25,39	34,32	39,24	51·86	48,48	60,93	52,98	49,08	49,97	55,25	56,44	58,49
Local self-government	6,07	8,03	8,74	6,27	6 40	5,51	3,44	3,44	3,18	3.32	4.56	6,30
Army and defence	47,51	50,52	50,10	52,97	59,09	65,98	63,41	51,23	51,28	51,75	51,51	52,72
Miscellaneons Railway and Electric expenditure ...	90	1,71	1,43	1,05	93	59	—14	12	—2	4	3	...
A. Total revenue expenditure excluding the following items—	2,15,00	2,41,05	2,52,06	2,79,56	3,00,55	3,20,33	3,01,90	2,77,59	2,85,49	2,84,30	2,88,28	2,92,65
(1) Charges against Mining revenue (2) Interest on loans and other obligations, (3) Contributions to special reserves for non-recurring expenditure (4) Famine relief and insurance	1,66	11,05	10,43	9,05	8,13	9,65	2,25	2,18	2,08	2,09	2,14	2,04
B. Total revenue expenditure after adding item (1) *i.e.*, charges against Mining Revenue ...	2,16,66	2,52,10	2,62,49	2,88,61	3,08,68	3,29,98	3,04,15	2,79,77	2,87,57	2,86,39	2,90,52	2,94,69
Deduct the following items of expenditure—												
Forests and subsidy	44,20	44,49	45,62	46,68	47,39	48,33	46,89	49,14	54,34	46,33	47,11	47,58
Palace	23,50	23,50	23,50	23,50	23,50	23,50	23,50	23,50	26,50	26,28	26,10	26,10
Total to be deducted from total A ...	67,70	67,99	69,12	70,13	70,89	71,83	70,39	72,64	80,84	72,61	73,21	73,68
C. Net revenue expenditure after deduction of the above items	1,47,80	1,73,06	1,82,94	2,09,43	2,29,66	2,48,50	2,31,51	2,04,95	2,04,65	2,11,69	2,15,17	2,18,97

TABLE

Statement of Assets and

Liabilities	30th June 1909	30th June 1916	30th June 1917	30th June 1918
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs
I. PERMANENT DEBT ...	...	20,33,000	20,33,000	...
Mysore Railway Loan 1882 ...	89,500	...	...	7,000
State Loan of 1906-07 ..	20,00,000	...	...	20,00,000
Mysore Railway Debenture Loan of 1886.	160,61,569	..	...	160,61,569
5½ per cent Conversion Loan.	...	...	...	...
6½ per cent State Loan ...	..	...	...	...
Temporary Loan from Banks.	...	...	...	...
7 per cent Mysore State Loan.	...	...	...	...
6½ per cent Mysore State Loan	...	...	...	...
II. UNFUNDED DEBT ...	...	108,38,343	114,46,248	129,40,587
Insurance Fund ...	18,02,790	...	...	...
Provident Fund ...	...	...	...	...
Savings Bank Deposits ...	71,76,498	...	..	...
Endowments and other accounts.	4,77,700	...	...	...
III. LOCAL AND OTHER FUNDS.	21,96,765	36,00,215	44,60,615	51,68,295
IV. DEPOSITS—				
Departmental Balances under Financial Settlement.	...	...	...	...
Other Deposits ...	17,26,951	29,45,386	24,86,779	47,67,202
V. RESERVE AND DEPRECIATION FUND.	...	...	86,95,435	120,97,655
Mining Revenue Capitalization Fund.	...	...	...	...
Sinking Fund for Loans ...	...	13,33,333	...	...
Reserve for interest on Capital Expenditure.	...	...	...	...
Reserve for irrigation Capital Expenditure.	...	...	...	...
Famine Insurance Reserve ...	6,00,000	20,00,000	...	...
Special Reserve for non-recurring Expenditure.	...	...	..	...
C. P. S. Depreciation Fund	10,05,833	33,75,085	...	...
Sandal Oil Factory ...	...	...	...	...
VI. MISCELLANEOUS ...	3,78,374	Remittances 4,77,691	..	10,36,249
Total Liabilities ...	3,34,65,960	2,66,03,053	291,22,073	540,78,557
Excess of Assets ...	3,36,44,445	6,80,58,424	703,65,804	644,23,752

LXVI.

Liabilities.

30th June 1919	30th June 1920	30th June 1921	30th June 19.2	30th June 1923	30th June 1924	30th June 1925
6	7	8	9	10	11	12
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
...	...	...	...	...	...	...
7,000	7,000	7,000	7,000	5,000	5,000	5,000
20,00,000	20,00,000	2,20,200	69,600	18,900	14,000	14,000
160,61,569	160,61,569	160,61,569	160,61,569	160,61,569	160,61,569	160,61,569
...	...	10,85,100	8,75,197	8,75,100	8,80,000	8,80,000
...	...	128,99,210	114,05,496	114,78,814	119,38,863	119.35.936
...	...	6,53,061	...	...	...	...
...	...	...	195.51,027	195,57,244	195,56,713	195,56,713
...	...	...	30,39,260	30,50,412	30,50,412	30,50,412
...	160,73,128	153,26,152	160,78,021	176,84,673	197,23,854	420,76,556
43,30,425	...	...	...	...	...	...
3,39,493	...	...	...	...	...	...
85,82,847	...	...	...	...	...	...
12,66,839	...	...	...	...	...	...
63,13,906	74,27,931	64,28,248	66,67,971	71,22,119	63,47.149	61,68,107
...	...	...	...	...	...	...
31,37,021	35,02,963	19,60,620	28,21,198	33,19,995	29,84,887	27,89,665
149,82,301	173,06,662	158,35,487	160,68,636	199,55,323	228,32,828	261,94,048
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
...	...	...	...	...	...	...
8,02,666	21,90,526	12,26,286	2,07,556	2,76,817	...	18,37,670*
578,24,067	645,69,779	717,03,038	928,46,521	994,05,966	1,033,95,275	1,105,69,975
533,22,196	576,47,155	588,58,321	571,32,895	576,99,076	560,68,417	561,03,427

*Includes Capital Receipts not credited to Revenue— Rs.

(i) Interest on Mysore Railway sterling loan sinking fund investments 4,71,068

(ii) Contributions by District Boards and Railway Companies towards construction of Railway ... 1,87,598

T. C. O

Statement of Assets and

Assets	30th June 1905	30th June 1916	30th June 1917	30th June 1918
1	2	3	4	5
I. CASH AND INVESTMENTS—	Rs.	Rs.	Rs.	Rs.
(i) Cash balance and short term Bank Deposits.	91,20,001	82,05,714	66,18,815	110,95,759
(ii) Investment in Securities	117,82,240	266,90,688	283,89,444	255,24,466
(iii) Long term deposits in Banks and investments in shares.	1,02,600	...	...	...
(iv) Railway sterling loan Sinking Fund investments.	71,27,574	...	...	9 ,64,887
II. ADVANCES AND LOANS	...	...	...	...
(i) Advances	10,04,602	17,91,849	10,03,680	49,16,607
(ii) Loans	40,80,821	28,81,114	24,17,259	26,03,119
Miscellaneous	...	...	5,88,692	...
III. CAPITAL OUTLAY ON PRODUCTIVE WORKS.	...	555,92,167	604,90,617	...
(i) Mysore State Railways worked by M. S. M. Railway Company.	243,84,788	...	...	259,53,546
(ii) Railways worked by the State.	...	...	...	107,41,472
(iii) Cauvery Power Scheme ...	79,97,234	...	...	116,59,843
(iv) Krishnarajasagara Works.	...	...	...	140,06,627
(v) Sandal Oil Factories ...	...	...	...	5,21,585
(vi) Iron Works ...	...	...	...	36,527
(vii) Kolar Gold Fields Water Supply Project.	15,10,565	...	...	16,77,871
(viii) Other works ...	...	...	...	...
(ix) Industrial investment ...	...	...	...	...
Total I and II ...	332,17,838	390,69,310	390,17,260	539,04,838
III ...	338,92,587	555,92,167	604,90,617	645,97,471
Grand Total ...	671,10,425	946,61,477	995,07,877	1,185,02,309

Liabilities—*concld.*

30th June 1919	30th June 1920	30th June 1921	30th June 1922	30th June 1923	30th June 1924	30th June 1925
6	7	8	9	10	11	12
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
106,00,000	107,43,864	120,79,385	138,65,861	99,52,769	83,00,474	100,00,407
182.10,029	151,57,407	98,28,046	180,15,480	246,75,205	249,66,515	257,74,494
...	...	...	...	...	...	...
101,29,641	105,11,491	110,17,358	112,22,008	118,09,725	122,87,472	124,65,391
...	...	...	...	...	...	...
66,42,531	56,96,119	56,86,700	40,84,204	29,53,111	48,81,835	56,06,343
26,87,829	27,20,888	26,33,981	21,79,589	19,85,749	22,85,831	26,11,074
...	...	...	...	...	1,71,674	...
...	...	...	...	...	...	...
261,75,236	264,02,586	268,69,442	188,02,175	188,50,361	190,14,697	192,15,883
120,58,373	142,70,524	169,30,676	283,70,288	316,33,811	279,20,453	285,80,890
120,49,816	130,62,586	142,86,519	168,15,829	171,81,841	175,58,779	182,60,720
155,65,588	172,33,516	195.96,313	203,54,000	211,12,948	217,06,6[illegible]0	231,28,864
5,95,518	6,29,482	6,66,033	6,71,545	6,77,131	6,86,537	6,85,536
8,04,424	32,79,121	90,20,521	135,84,669	143,33,176	177,30,962	183,96,878
16,28,278	16,38,541	17,25,784	17,61,302	17,75,408	17,75,498	17,75,498
..	76,309	2,20,646	2,52,366	1,63,622	1,76,315	1,70,424
...	8,00,000	...	...	...	...	...
482,70,030	448,29,269	412,45,420	493,67,142	518,76,559	528,93,801	564,57,709
688,77,233	773,87,665	893,15,934	1,006,12,274	1,057,28,383	1,065,69,891	1,102,15,693
1,171,47,263	1,222,16,934	1,305,61,354	1,499,79,416	1,571,04,942	1,594,63,692	1,666,73,402

APPENDIX B.

DUTIES OF MUNICIPAL COUNCILS.

SECTION 54 OF THE MUNICIPAL REGULATION No. VII OF 1906 AS AMENDED BY I OF 1921 AND IV OF 1926.

It shall be the duty of every Municipal Council to make reasonable provision for the following matters within the Municipality under their authority, namely:—

(*a*) Lighting public streets, places and buildings;
(*b*) Watering public streets and places;
(*c*) Cleansing public streets, places and sewers, and all spaces not being private property, which are open to the enjoyment of the public, whether such spaces are vested in the Municipal Council or not; removing noxious vegetation; and abating all public nuisances;
(*d*) Extinguishing fires, and protecting life and property when fires occur;
(*e*) Regulating or abating offensive or dangerous trades or practices;
(*f*) Removing obstructions and projections in public streets or places, and in spaces not being private property which are open to the enjoyment of the public, whether such spaces are vested in the Municipal Council or belong to Government;
(*g*) Securing or removing dangerous buildings or places, and reclaiming unhealthy localities.
(*h*) Acquiring and maintaining, changing and regulating places for the disposal of the dead;
(*i*) Constructing, altering and maintaining public streets, culverts, municipal boundary marks, markets, slaughter-houses, latrines, privies urinals, drains, sewers, drainage works, sewerage works, baths, washing places drinking fountains, tanks, wells, dams and the like;
(*j*) Obtaining a supply or an additional supply of water, proper and sufficient for preventing danger to the health of the inhabitants from the inefficiency unwholesomeness of the existing supply, when such supply or additional supply can be obtained at a reasonable cost;
(*k*) Naming streets and numbering houses;
(*l*) Registering births and deaths;
(*m*) Public Vaccination;
(*n*) Suitable accommodation for any calves, cows, or buffaloes required within the municipality for the supply of animal lymph;
(*o*) Establishing and maintaining public hospitals and dispensaries, and providing public medical relief;
(*p*) Establishing and maintaining primary schools;
(*q*) Housing and maintaining destitute orphans and destitute cripples;

(*r*) Printing such annual reports on the municipal administration of the municipality as the Government by general or special orders require the Municipal Council to submit;

(*s*) Paying the salary and the contingent expenditure on account of such police or guards as may be required by the Municipal Council for the purposes of this Regulation or for the protection of any municipal property, and providing such accommodation as may be required by Government under the law in force relating to Police.

(*t*) Promoting the development of economic condition with special reference to Education, Agiculture and Industries and Commerce.

SPECIAL DUTIES—SECTION 55.

Subject to such reasonable provisions as is mentioned in section 54, every Municipal Council shall make reasonable provision for the following special matters, namely:—

(*a*) providing special medical aid and accommodation for the sick in time of dangerous disease; and taking such measures as may be required to prevent the outbreak or to suppress and prevent the recurrence, of the disease;

(*b*) giving relief and establishing and maintaining relief works in time of famine or scarcity to or for destitute persons within the limits of the municipality.

OTHER DUTIES OF MUNICIPAL COUNCILS.

SECTION 56 OF THE REGULATION NO. VII OF 1906 AS AMENDED BY I OF 1921 AND IV OF 1926.

Discretionary Powers of expenditure of Municipal Council.

Municipal Councils may, at their discretion, provide out of the said property and fund, either wholly or partly, for:—

(*a*) Laying out, whether in areas previously built upon or not, new public streets, and acquiring the land for that purpose, including the land requisite for the construction of buildings or curtilages thereof, to about on such streets;

(*b*) Constructing, establishing, or maintaining public parks, gardens, libraries, musuems, lunatic asylums, halls, offices, dharmasalas, rest-houses and other public buildings;

(*bb*) Constructing and maintaining, where necessary, suitable sanitary houses for the habitation of the poor;

(*c*) Granting loans to encourage local arts and industries;

(*d*) Planting and maintaining road side and other trees;

(*e*) Taking a Census; and granting rewards for information which may tend to secure correct registration of vital statistics;

(*f*) Making a Survey;

(*g*) Arrangements for the destruction or the detention and preservation of such dogs within the Municipality as may be dealt with under the law in force relating to Police;

(*h*) Securing or assisting to secure suitable places for the carrying on of the offensive trades mentioned in Section 151.

(*i*) Supplying, constructing and maintaining receptacles, fittings, pipes and other appliances whatsoever, on or for the use of private premises, for receiving and conducting the sewage thereof into sewers under the control of the Municipal Council;

(*j*) Establishing and maintaining a farm or factory for the disposal of sewage;

(*k*) Any other measure not specified in Sections 54 and 55 likely to promote the public safety, health convenience; and

(*l*) With the previous concurrence, in the case of City Municipal Councils, of the Government, or, in other cases, of the Deputy Commissioner, any public reception, ceremony, entertainment, or exhibition within the Municipality.

APPENDIX C.

DUTIES OF DISTRICT BOARDS.

(SECTION 45, THE MYSORE DISTRICT BOARD REGULATION OF 1926. (CHAPTER IV.)

(1) Every District Board shall, so far as funds at its disposal will permit, and subject to such exceptions and conditions as the Government may from time to time make and impose, undertake the control and administration of, and be responsible for, the following matters within the area subject to its authority :—

(*a*) Construction, repair and maintenance of public roads and other means of communication which are not under the control of any other local body or of Government;

(*b*) Planting and preservation of trees on the sides of roads and on other public ground in its control;

(*c*) Establishment, management, maintenance and visiting of schools, hospitals, dispensaries, veterinary hospitals, markets, travellers' bungalows, musafirkhanas, rest-houses and other public institutions, and the construction and repair of all buildings connected with these institutions;

(*d*) Construction and repair of public wells, tanks, and water-works which serve more than one village Panchayet, supply of water from them and from other sources, and preservation from pollution of water for drinking and cooking purposes;

(*e*) Promotion of vaccination and the appointment and control of vaccinators;

(*f*) Measures necessary for the public health, sanitation and other local services affecting villages under different panchayets and control of and sanitation during jatras or fairs and festivals;

(*g*) Management of such public ferries as may be entrusted to its charge;

(*h*) Development of the economic condition of the District with special reference to Education, Agriculture and Industries and Commerce; institution holding and management of fairs, cattle and agricultural shows and industrial exhibitions;

(*i*) Payment of travelling expenses of persons undergoing anti-rabic treatment subject to the general or special orders of the Government;

(*j*) Improvement of the breed of cattle;

(*k*) Maintenance of any building or other property vested in it under this Regulation;

(*l*) With the previous sanction of the Government, any publi reception, ceremony or entertainment or exhibition;

(*m*) The establishment and maintenance of relief and local relief works in times of famine or scarcity;

(*n*) Any other local works or measures likely to promote the health, safety, comfort, convenience, interest or welfare of the public in the District.

(2) Any District Board may, at its discretion—

(*a*) Provide for the registration of births and deaths within the District, subject to such conditions as the Government may impose in this behalf;

(*b*) With the sanction of the Government, either singly or in combination with the Government or any other District Board, construct and maintain within, or partly within and partly without the area under its authority, a railway or tramway and do all lawful acts which may be necessary in this behalf;

(*c*) With the sanction of the Government, from time to time guarantee the payment from the District Fund of such sums as it shall think fit as interest on capital expended on any railway, tramway, or other works which may directly improve the means of communications within the District or between the District or other Districts and

(*d*) Encourage and develop co-operative societies in the District.

APPENDIX D.

DUTIES OF VILLAGE PANCHAYETS.

(SECTIONS 20– 25, CHAPTER III, MYSORE VILLAGE PANCHAYET REGULATION, 1926.)

It shall be the duty of a panchayet, within the limits of the Fund at its disposal, to make adequate provision for carrying out the requirements of the area under its control in regard to the following matters:—

(*i*) Construction, repair and maintenance of village roads including cart-tracks, culverts and bridges, but not including those under the control of any other local body or of Government;

(*ii*) Construction of drains, and disposal of drainage water and sullage;

(*iii*) Cleansing of streets, drains, tanks and wells (other than tanks and wells used exclusively for irrigation) and other public places or works in the village;

(*iv*) Regulation of buildings;

(*v*) Opening and maintenance of burial and burning grounds;

(*vi*) Management and maintenance of cattle pounds;

(*vii*) Sanitation, conservancy and prevention and abatement of nuisances;

(*viii*) Preservation and improvement of public health;

(*ix*) Maintenance and regulation of the use of public buildings vested in the Panchayet;

(*x*) Control of other institutions or other property belonging to or vested in it;

(*xi*) Maintenance of tanks and wells (other than tanks and wells used exclusively for irrigation); and

(*xii*) Supply of water for domestic use.

Subject to such rules as may be prescribed in this behalf, the Panchayets may within the limits of the fund at its disposal, make provision for carrying out the requirements of the area under its control in respect of any or all of the following matters:—

(*i*) Providing facilities for travellers;

(*ii*) Relief of the poor and the sick;

(*iii*) Extension of village sites;

(*iv*) Excavation and maintenance of ponds for the supply of water to animals;

(*v*) Planting and preservation of groves and trees on the sides of roads and other public grounds;

(*vi*) Development of education, agriculture, co-operation, rural industries and trade;

(*vii*) Control of cattle-stands, grazing grounds and other communal waste lands ;

(*viii*) The lighting of the village and

(*ix*) Other measures of public utility calculated to promote the safety, health, comfort or convenience of the residents of the area.

The Government may, subject to such limitations and conditions as may be imposed in this behalf, transfer to any Panchayet, the management and control of grazing in halbanni and gomal lands and the management, protection and maintenance of Village Forests, whether reserved for fuel and fodder or for other purpose.

The Government may, subject to such limitations and conditions as may be imposed in this behalf, empower any Panchayet to exercise all the powers and discharge all the functions of a Panchayet under the Tank Panchayet Regulation, 1911 notwithstanding anything contained in Section 3 of that Regulation.

Subject to such rules as may be prescribed by the Government, any District Board, the Deputy Commissioner or any private person or body of persons may, with the consent of a Panchayet and subject to such conditions as may be agreed upon, make over to it the management of any institution or the execution or maintenance of any work or the performance of any duty within the area over which it has got control.

The Government may, by a general or special order, entrust the management of Minor Muzrai institutions and supervision over village schools in the area under the control of any Panchayet and prescribe such rules as may be necessary for their management and supervision.

APPENDIX E.

FUNCTIONS OF PANCHAYETS.

THE MADRAS VILLAGE PANCHAYET ACT, 1920
CHAPTER III SECTION 15 TO 21.

FUNCTIONS OF PANCHAYETS.

Subject to such rules as the Local Government may make, a panchayet may exercise the powers and perform the duties specified below :—

(*i*) Construction and maintenance of village roads, culverts, bridges and buildings;
(*ii*) Lighting of streets and public places;
(*iii*) Construction of drains and disposal of drainage water and sullage :
(*iv*) Cleansing of streets, removal of rubbish heaps, jungle growth and prickly-pear, filling in of disused wells, insanitary ponds, pools, ditches, pits or hollows and other improvements of the sanitary condition of the village;
(*v*) Provision of public latrines and arrangements to cleanse latrines whether public or private;
(*vi*) Opening and maintenance of burning ghauts and burial-grounds;
(*vii*) Sinking and repairing of well, excavation, repair and maintenance of ponds or tanks for supply of water for drinking, washing and bathing purposes, and construction of bathing ghauts;
(*viii*) Control of cattle-stands, threshing floors, topes and other communal porambokes;
(*ix*) Control of chavadies, chatrams, rest-houses, and other property belonging to villagers in common :
(*x*) Extension of village sites and regulation of building
(*xi*) Enforcement of vaccination;
(*xii*) Registration of births and deaths;
(*xiii*) Opening and maintenance of village libraries;
(*xiv*) Control of pounds;
(*xv*) Village protection; and
(*xvi*) Other measures of public utility calculated to promote the safety, health, comfort or convenience of the villagers.

FUNCTIONS WHICH A LOCAL BOARD MAY AUTHORISE A PANCHAYET TO EXERCISE.

The District or taluk board within whose jurisdiction a panchayet has been constituted may at any time, with the consent of the Panchayet and subject to such conditions as may be agreed upon, authorise such panchayet to exercise any of the following functions which such district or taluk board may itself exercise under the Madras Local

Boards Act, 1920; and it shall thereupon be lawful for such panchayet to exercise such function :—

(*i*) Construction and control of markets, slaughter houses and cart-stands ;
(*ii*) Sanitary arrangements for public festivals ;
(*iii*) Control of fairs ;
(*iv*) Control of fisheries ;
(*v*) Planting and preservation of trees on roads ;
(*vi*) Establishment and maintenance of elementary schools and other matters connected with elementary education ;
(*vii*) Provision of medical relief.

The *Local Government* may, subject to such conditions and the payment of such contribution, if any, by the panchayet as they may prescribe, transfer to any panchayet the management, protection and maintenance of village forests, whether reserved for fuel and fodder or for other purposes.

The *Local Government* may, subject to such conditions as they may prescribe, transfer to any panchayat the protection and maintenance of any village irrigation work, the management of turns of irrigation, the enforcement of kudimaramat or the regulation the distribution of water from any irrigation work to the fields depending on it.

Subject to such rules as may be made, by the Local Government, a district board or taluk board or collector or any private person or body of persons may, with the consent of a panchayet, make over to such panchayet subject to such conditions as may be agreed upon, the management of any institution or the execution or maintenance of any work or the performance of any duty within the area over which the panchayet has control.

The Local Government may, subject to such conditions as they may prescribe, authorise any panchayet, by a general or special order, to exercise any functions or perform any duties other than those specified in section 15, 16, 17, 18 and 19.

APPENDIX F.

RULES UNDER THE MYSORE LAND REVENUE CODE.

FINES LEVIABLE WHEN UNALIENATED LAND ORIGINALLY APPROPRIATED FOR PURPOSES OF AGRICULTURE IS OTHERWISE APPROPRIATED.

Rules 58.—The limtt of fine leviable under Section 63 may, at the discretion of the Deputy Commissioner, be fixed at any sum not exceeding 25 times the assessment of the land actually appropriated to any purpose unconnected with agriculture, but shall in no case exceed Rs. 200 per acre.

Rules 59.—Notwitnstanding anything contained in the last preceding rule, the amount of fine imposable under Section 63 of the Land Revenue Code, in respect of lands within certain limits to be from time to time defined by Government by notification in the Mysore Government Gazette in the neighbourhood of railway stations, large towns, military cantonments, and whereverelse Government may deem fit, shall be fixed by the Deputy Commissioner, in his discretion, at rates not exceeding Rs. 500 or Rs. 1,000 per acre, as may be directed by the Government in the said notification.

Under Section 233 (*n*) of the Land Revenue Code, and in accordance with the powers reserved to them by Rule 59 of the rules framed under the said Code, the Government of His Highness the Maharaja are pleased to define the following limits in the neighbourhood of Railway Stations, large towns and Military Cantonments, within which the limit of fine imposable under Section 63 of the Land Revenue Code, shall be fixed as provided in Rule 59 of the Rules, at rates not exceeding those shown in the Schedules annexed hereto.

SCHEDULE A.

Schedules A and B revised as per Notification No. R. 1198-1207—L. R. 87-21-2, dated 29th August 1922.

No.	Places	Limits	Rate of fine per acre
1	Bangalore City ...	Municipal limits and neighbourhood which may be within a radius of one mile from the Railway Station,	Not less than Rs. 500 and not more than Rs. 1,000 per acre.
2	Mysore City ...	Do ...	
3	Villages near the Civil Military Station of Bangalore.	Within half a mile from the Civil and Military Station boundaries.	
4	Bowringpet and other stations on the Kolar Gold Fields.	Within one mile from the Railway Station.	

SEHEDULE A—*concld.*

No.	Places	Limits	Rate of fine per acre
5	Villages comprised within the area under the administration of the Kolar Gold Fields Sanitary Board.	Their respective Revenue Survey boundaries.	Not less than Rs. 500 and not more than Rs. 1,000 per acre.
6	Other places mentioned in Schedule B.	(*Vide* Schedule B.) ...	Not more than Rs. 500 per acre.

SCHEDULE B.

No.	Places	Limits
1	District headquarter towns, large towns and Municipalities with a population of 5,000 and above.	All lands within a distance from the town or from the Railway Station limits if the town is on the Railway line.
2	Taluk Headquarters or Minor Municipal towns with a population of 2,000 and above.	All lands within a distance of one mile from the town or the Railway Station limits if the town is on the Railway line.
3	Other Railway Stations not comprised in (1) or (2).	All lands within a distance of half a mile from Railway Station Limits.

Rules 60.—The fine leviable under Section 64 shall be fixed by the Deputy Commissioner, but shall not exceed twice the amount imposable by him under Section 63.

Rules 60A.—Notwithstanding anything contained in the foregoing rules, no fines shall be imposed for the appropriation of agricultural lands made over to, or acquired under the Land Acquisition Regulation at the instance of Municipal Councils, Local Boards or Village Panchayets for charitable purposes or public purposes from which the Municipality or Local Body concerned does not derive any profit, such as roads, hospitals, dispensaries, and rest-houses.

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